The MAGAZINE of WALL STREET
and BUSINESS ANALYST

JANUARY 22, 1955 85 CENTS

Special Preview Issue Part 2

1955 PROSPECTS FOR MAJOR INDUSTRIES UNDER CHANGING CONDITIONS
By GEORGE W. MATHIS

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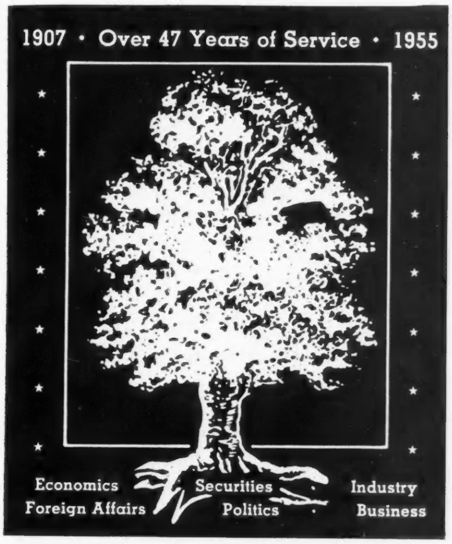
THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher* E. D. KING, *Managing Editor*



The Trend of Events

THE UNBALANCED BUDGET . . . Although the budget still remains out of balance, we can be grateful that the newest deficit—if the President can remain in control of his program—will be considerably smaller than it was expected to be. The President estimates that the deficit for fiscal 1956 will be about $2.4 billion, or $1.1 billion under original estimates. Apparently, there has been a great deal of soul-searching among the responsible officials who have realized that they could not come to the people again without at least a show of fiscal progress. No doubt, Mr. Humphrey, the able Secretary of the Treasury, who is a spokesman for the economy-minded wing of the Republican party, managed to convince his associates that the party would have a hard time of it explaining to the public why it could not do any better than the democrats who had suffered barbed shafts for years for having failed to stop the deficits.

At least the republican party has this advantage: it numbers among its leaders, men sincerely devoted to running the government economically, whereas to the democratic politicians, with the exception of Senator Byrd and several others, economy is a thing to be shunned. But the democrats now control Congress. If they run true to form, they are not going to allow a little thing like a bigger deficit stand in their way if more spending will get them more votes, come next election campaign.

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

The President will have to stand firm if he hopes to get by this session and hold the prospective deficit within the bounds he has marked out. Unfortunately, there are members of his own party who show signs of succumbing to the temptation of following the democrats along their traditional road for votes. Imitation may be a form of flattery, but, in this case, it would be a form of suicide for the Republican party. As the saying goes: Unbalanced budgets "don't look well" on the Republican party. They go much better with the democrats.

HIGHER MARGINS AND THE STOCK MARKET . . . The recent raising of margins on securities is commonly accepted as a mild warning that the Federal Reserve authorities — and, presumably the higher officials in the government were commencing to view the surge of speculative fever in the nation's securities markets with disfavor and that they were prepared to exercise more stringent measures if speculation in stocks showed signs of getting completely out of hand. Senator Fulbright, now Chairman of the Senate Banking Committee, has also affirmed this position and has declared he would inaugurate an inquiry into the stock market to determine to what extent danger existed, if any. As to whether, if a condition of danger were found, remedial measures would be proposed was not stated. It may be, of course, that the Senator does not in-

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS : : 1907—*"Over Forty-seven Years of Service"*—1955

tend to recommend specific measures but, rather, wishes to do his bit toward casting a chill over the speculative community and, thereby, diminish the threat of a runaway market with its obvious risks. Presumably, in his estimation, this would obviate the necessity of severe, punitive action.

All competent observers have agreed that the post-election rise in numerous stocks had assumed abnormal proportions, that the prospect of easy profits had stimulated growing public participation, and that, to an increasing extent, speculation was becoming excessive and undiscriminating. To acknowledge the existence of this situation, however, is not to deny that the foundations of the market are in reality sound. What became unsound rather was the newly arising speculative superstructure.

The fact of the matter is that the onrush of excited and ill-informed speculators into the market for quick profits cannot serve the long-range interests of investors or the investment market itself. Not only does extravagant speculation temporarily distort prices but it poses a constant threat to real values, and it may deter the constructively minded investor from accumulating stocks if he thinks the prices are excessive, compared to values. This would temporarily tend to leave the field exclusively to speculators. Therefore, a return of the market to a more normal aspect would prove an advantage to the investor. It can even serve the purposes of orderly speculation far better than erratic and violent swings in the price of shares.

TROUBLE IN CENTRAL AMERICA . . . The "war" in Costa Rica appears to be ending, with the intervention of the investigating committee appointed by the Organization of American States. Whether the troubles were instigated by elements in Nicaragua or Panama, or by dissident groups within Costa Rica itself, the situation points up to what appears to be a tendency towards political instability in this part of the hemisphere.

The most conspicuous instance of deterioration in the post-war period, of course, was the seizure of power by the communists in Guatemala. Fortunately, timely diplomatic action on the part of the United States Government led to the overthrow of the Red Government by patriotic Guatemalans, before it could entrench itself and become the active centre of communist activity in the rest of Central America and South America.

For too long, we have neglected our responsibilities in this part of the world. Our initiative in the Guatemalan affair is merely the exception that proves the rule. We properly do not wish to accept the onus of active intervention in Latin American affairs. This has always led to the cry of "Yankee imperialism," and we have learned from this that we should intervene only if we are sure to receive the support and cooperation of the great majority of Latin American nations.

What we must do and what we have been severely criticized for not doing by our friends south of the Rio Grande, is to take a more active part in assisting Latin American nations to improve their economic position. This means a complete overhauling of our trade policies with these countries, and, particularly, an increase in American private investment on terms that will satisfy the governments and the peoples concerned. An enlightened policy on our part will help to lift the living standards of millions of workers in Latin America and deflect them from the temptation of listening to the communists. We will then have no occasion to intervene militarily as the conditions which prompt intervention will have disappeared.

BRINGING RAILROAD REGULATION OUT OF THE "HORSE-AND-BUGGY" ERA . . . In the near future, the President's Cabinet Committee on Transportation which was set up last July to study the problem of bringing railroad regulation up to date, will render its report. There is no question, as we have pointed out in the past, that the statutes under which the carriers operate are more or less obsolete and that they must be revised to meet modern conditions.

Regulation, as conducted by the Interstate Commerce Commission, has been rigid, a condition over which the Commission has little if any control, since it must operate under the law. According to standing regulations, the railroads are handicapped in three ways:

First: the time-lag between rates and higher costs is far too long and the roads frequently must wait for several years before rate increases are granted that would more closely correspond with new costs.

Second: railroad managements have little control over their tariff schedules, and they should be allowed to have more say; rates for specific freight should be allowed to correspond more with actual operating conditions, which vary greatly as between the many systems.

Third: authority by the states over abandonment of uneconomic routes and services, should be transferred to the Interstate Commerce Commission. Many roads have been greatly handicapped by being forced to maintain service on routes which have long since outlived their general usefulness.

When all this is said and done, however, the future of the railroads depends in large part, on their ability to modernize their own practices. In recent years, they have shown great initiative in improving their equipment and service to the public and, it is not to be doubted, this trend will continue far into the future. In the meantime, all the obstacles which obsolete regula- (*Please turn to page* 555)

ANNOUNCEMENT

In the next issue, we start a new feature:

— WHAT'S NEW? —

Latest Developments in Important Companies

This department will cover up-to-the-minute individual company news on dividend changes; unusual shifts in earnings; stock splits and stock dividends; mergers; new financing; important new products which can have a bearing on earnings prospects; management changes of significance; and stockholders' meetings of unusual interest.

We believe this new department will be extremely valuable to investors as it will enable them to keep abreast of important company developments, quickly and conveniently.

As I See It!

By JOHN CORDELLI

TOWARDS A BETTER UNDERSTANDING OF ASIA'S PROBLEMS

During the next few months, the West may have an opportunity to hear why certain Asian nations, recently freed from colonial rule, have pursued a lukewarm policy toward free world efforts to bar further Communist infiltration in Southeast Asia. Sir Anthony Eden, British Foreign Secretary, is about to depart on an extensive tour of Asian capitals which will eventually take him to the February 23 conference of the eight members of the Southeast Asian Defense Alliance in Bangkok, Thailand. With the tour following on the Commonwealth parley in London, Sir Anthony is expected to discuss Southeastern Asian development aid (the Colombo Plan), which the British propose to step up.

A few months later, a conference of some 25 Afro-Asian nations – including Japan and communist China–is to be held in Jakarta, Indonesia. Although not much is expected to come out of this rather heterongenous conference, there will probably be resolutions calling for the over-throw of colonialism in its last stronghold, Africa, and for keeping Asia out of the white man's quarrels.

VISIT TO PEKING

Low, in the Manchester Guardian

The so-called Asian neutralist bloc has no definite membership or policies. Last September, when the Manila Pact was signed, India, Indonesia, Ceylon, and Burma, embracing among them more than 500 million people, protested the pact as a move toward war. However, since his return from Peiping, Mr. Nehru has made some very definite statements as to why India cannot pursue Chinese economic methods. His recognition of Cambodia, one of the Indo-Chinese states, was tantamount to setting a limit to communist subversion and influence in Indo-China. In Burma, resistance to communism has been stiffening and the economic situation has improved. In Malaya, the internal outlook has improved to the extent that the British are contemplating a general amnesty. It is only in Indonesia and Vietnam that weak governments and a deteriorating economic situation seriously invite communist infiltration. However, in Japan, which was to be the free world's "bastion" in the Far East, the new Prime Minister, Mr. Hatoyama, has been denouncing the "weak pro-American policies" of his predecessor, and threatens to take Japan into the Asian neutralist camp.

There is no doubt that neutralism–the belief in "peaceful coexistence", with Communist China in particular – has gained ground among the free countries of Asia. Presumably Sir Anthony seeks to sound out this neutralist bloc's objectives before attending the Bangkok Conference. Even Washington is now apparently willing to admit the bloc as a force in international affairs, and is sending to New Delhi an able new Ambassador, former Senator Cooper of Kentucky.

Why, one may ask, are so many of the free Asian countries apparently ignoring the true aims of international communism, whose menace to India, for example is already evident in the elections in the new Andha State? The answer is difficult and complex. One reason why the free Asians fail to see the dangers of communist imperialism is that they are still too preoccupied with extricating themselves from their recent colonial heritage.

After centuries of colonialism, the Asian nations are distrustful of any Western intentions. They cannot be blamed for it. It took nearly six years plus American intervention for the French to carry out their promise and give full sovereignty to Vietnam, the most rebellious part of Indo-China. The other parts, Cambodia and Laos, are yet to receive this sovereignty. It will be an uphill job for the Western countries to overcome the distrust which has been at the root of Asian nationalism and which is reflected in the slogan so popular from Bagdad to Tokyo: "Asia for Asians."

Unfortunately, this nationalism and the associated distrust concerning the intentions of their former colonial rulers is hindering the economic development of the free countries of Asia. Fearing "capitalist exploitation," they impose conditions under which private (*Please turn to page* 558)

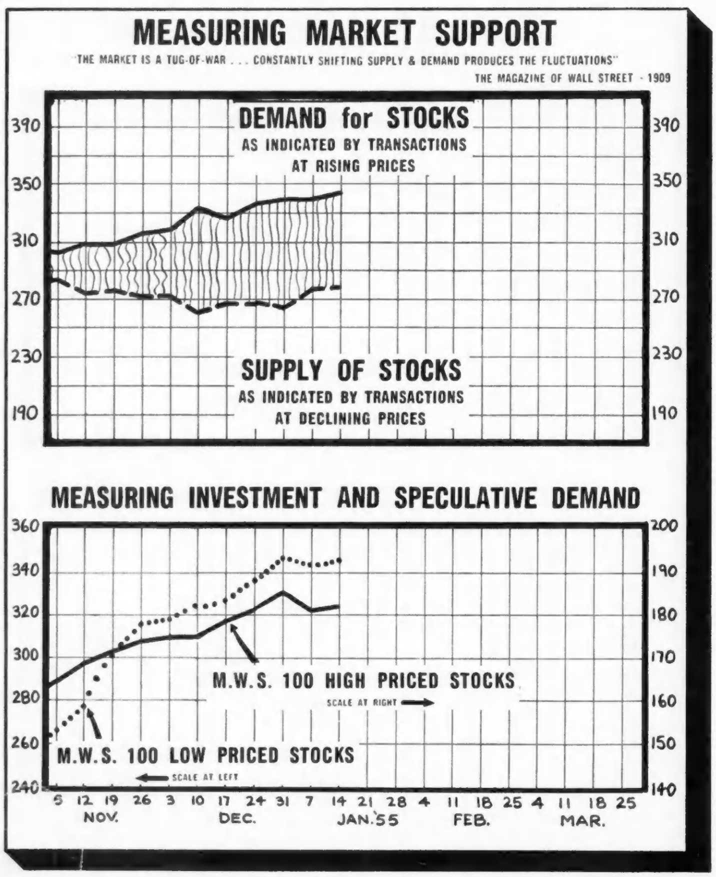
Market Weighing Early 1955 Earnings Trend

As a normal penalty for uncommonly sharp prior rise, and as a result of present less bullish money-rate factors, the stock market may face some extension of the corrective phase begun during the last fortnight. Immediate trend indications are indeterminate. Continue to follow a conservative, selective investment policy.

By A. T. MILLER

The first half of January, which is to say the past fortnight, brought gyrations aplenty in the stock market—the widest and most erratic gyrations in some time. It also brought the first action by the powers-that-be at Washington to cool down the market boom, via a boost in margin requirements from 50% to 60%. That news, coming at a time when the technical position had been weakened by an uncommonly large and nearly straight-line advance in stock prices from late October into the first trading session of 1955, played a big role in the market's recent whirling-dervish performance.

In the three trading sessions of January 4-6, the Dow industrial average fell 17 points, with over 14 points of the drop coming January 5 and 6 following news of the increase in margins. It was the sharpest spill since the temporary nose dive which was precipitated by the outbreak of the Korean war in mid-1950. The three-day fall in the rail average was 6.23 points.



Quick Rally Abortive

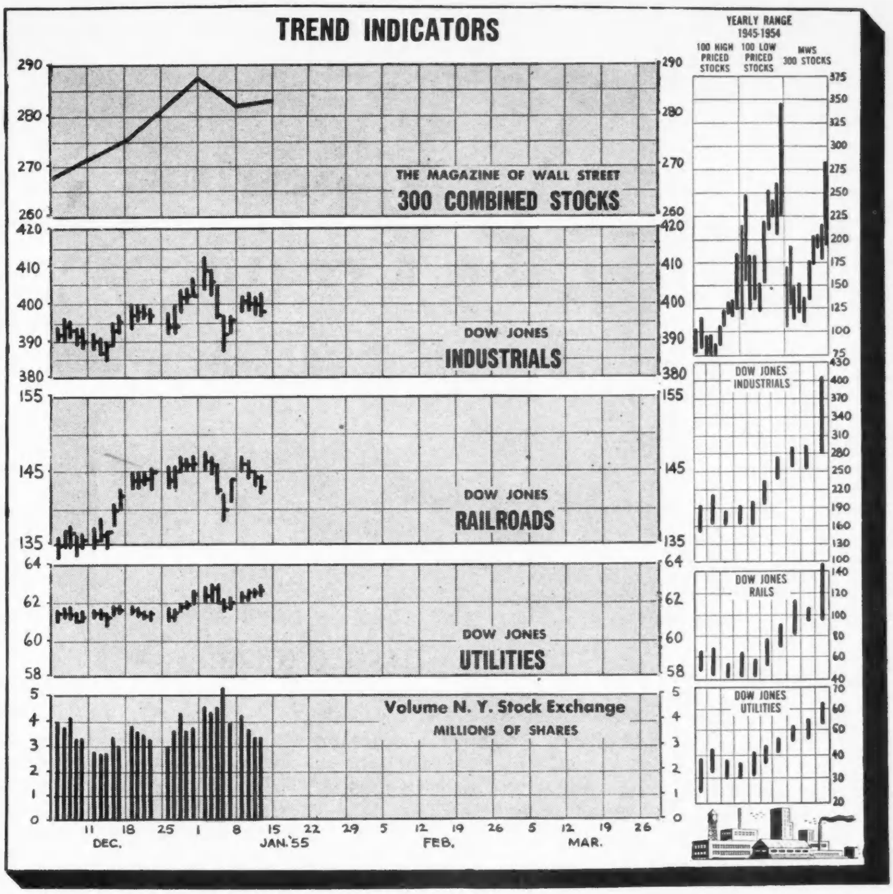
As if the margin boost were about to be "laughed off", the industrial average rebounded 9 points in two trading sessions through Monday, January 10, making up a little over half of the immediately preceding dip; while the rail average shot up 5.92 points, falling short of its January 3 bull-market high by the thin margin of 0.31 point. For the moment it appeared that the market, and particularly the rail section, had digested the sharp, but brief, correction and might be about ready to "get going" again. But relief was only temporary.

Indicating that more than a transient note of caution had been injected, and that the bullish enthusiasm maintained for so many weeks into early January had been watered down considerably, trading volume receded on the rally, demand quickly became less aggressive and sufficient profit taking developed to move the average (excepting utilities) gradually lower through the greater part of last week. At this writing, the industrial average has given up almost all of its initial rebound, the rail average about one half of its snapback. Since rails had held better than industrials on the sell-off (an unusual feat) and subsequently rallied more, their mediocre behavior in recent days can hardly be other than disappointing to those who were hoping that the market would in short order regain its psychology of high confidence.

Selective strength, resulting in a sizable number of new highs each day, is still being shown by a minority of individual stocks; but the general direction of stock prices will now necessarily remain a question mark until the averages either show ability to get above their January 3 tops or until the solidity of the reaction lows of January 6-17 is proven under test. The current perform-

ance and the present mood suggest to us that phase of moderate trading-range fluctuation in the averages, marked by many divergencies in movement of individual stocks, is more probable than either serious general decline or early resumption of dynamic general advance.

It would not be unduly alarming if, before a firm base is established, the lower limit of the envisioned trading range turned out to be somewhat under the recent lows of the averages. After all, those lows represented a cancellation of only some 30% of the post-election rise of the industrial list and only 33% for rails; and only a small part, indeed, of the huge advance marked up since mid-September, 1953.



We stated last issue that uninterrupted rise at either the fast average 1954 pace, or the even faster pace of November-December, could not be expected to continue; and that a substantial correction should be allowed for some time within the forepart of 1955. Probably all that can be said for the margin boost is that it brought, or decisively contributed to, an earlier and speedier reaction than might otherwise have developed.

Taken by itself, the margin change is of limited importance, since the great bulk of the buying in this market has been on a cash basis. But it cannot be taken by itself. It is a gesture intended as a note of warning that the Federal Reserve is now "on guard" against development of speculative excess. The mildness of the boost from 50% to 60% carries the inference that, should the warning be ignored, further action will be taken and perhaps with less delay than if the initial move had been from 50% to, say, 75%. Moreover, the margin increase is not the only indication of a change in the "monetary atmosphere".

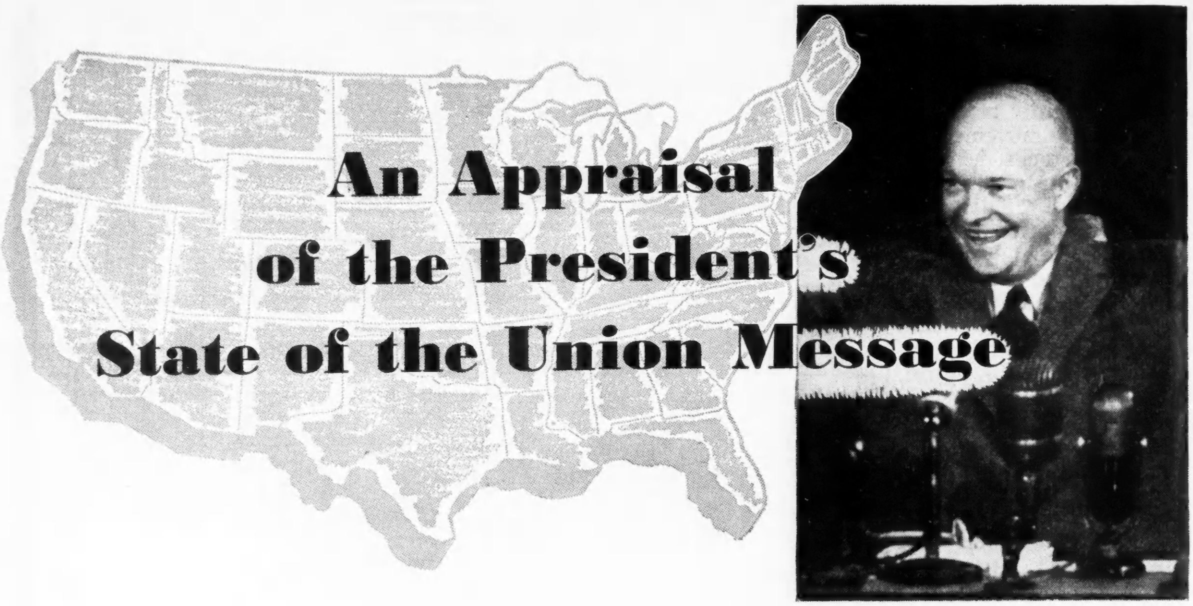
Official Concern Probably Unfounded

The Reserve is no longer trying to accelerate business revival via a policy of "active ease" in money rates. It is "leaning against" possible development of inflationary tendencies by a policy of open-market operations which permits some hardening of money rates. At the same time, demand for mortgage money is heavy, and states and muncipalities are putting out a rising flood of tax-exempt bonds. The combined effect is downward pressure on the bond market, tending to make bond yields proportionately more attractive than heretofore in comparison with stock yields.

Monetary policy is not bearish, but it can be called less bullish. To the extent that it reflects "tentative concern" that business revival might grow into an inflationary boom, it could easily prove mistaken. Most of the upturn that we have had to date is due directly and indirectly to sharply higher automobile production. Since the latter is at a rate around 8,000,000 cars a year, against a demand that might be 6,000,000 at most (with the trade expecting less), car output is bound to drop after mid-year at the latest. In the second half, it is not impossible that Washington may be worrying more about the "slowness" of business expansion than about an excessive boom.

It may be a matter of more academic interest than prophetic significance to note that margin requirements were raised in three moves from 40% to 100% between February 5, 1945, and January 21, 1946, and that about 48% of the total 1942-1946 bull-market rise (in terms of the Dow industrial average) occurred after the initial move; and that margins were boosted from 50% to 75% in January, 1951, with 36% of the 1949-1953 market rise occurring thereafter.

Turning to consideration of the fundamenal factors which influence stock market movements, investors are commencing to turn their thoughts to the outlook for first-quarter 1954 earnings. Thus far, as based on the last quarter 1954 trend in industry and business generally, it would appear that profits will be maintained at satisfactory levels. A year ago, according to (*Please turn to page* 558)



An Appraisal of the President's State of the Union Message

By HAROLD NICHOLSON

President Eisenhower's State of the Union message is essentially a reaffirmation of policies earlier declared, stating objectives and proposing methods for their attainment.

The President addressed his words to Congress on a note of firm conviction with neither trace of defiance nor hint of retreat.

The first of a series which will be forthcoming as the legislative branch moves into high gear, it was watched for signs of impact of the republican loss of numerical control on Capitol Hill. There may be mild panic in some GOP circles, but none shows through the Message.

However, it is clear that General Eisenhower senses difficult legislative days ahead, yet calmly accepts the hard facts of political life.

Always sought out in a mid-term State of the Union message are the signs that point to decisions made, tentatively or otherwise, to seek a new term. A good measure, naturally, is whether there is surrender to political expediency. A prospective candidate will proclaim the good, deprecate the evil, bend with the political winds; one who rejects all thought of additional terms realizes he has nothing to lose politically, is likely to deal hard and partisan blows to those who have, or would, block him. This year's message seems to have been written with conscious disregard of politics of 1956, though politics can never be entirely absent from a President's mind.

In earlier reports to Capitol Hill, notably last year's budget report, the President had displayed an almost naive notion that a clearly stated, adequately supported legislative tenet meets completely the requirements for approval. New to politics then, President Eisenhower also was to find in his first two years that numerical control alone doesn't insure majority backing from the lawmakers. But that knowledge registered only after voting strength had transferred to the democrats.

Thus, one might suppose that the President fought with the question whether he should address himself to a democrat-controlled congress and thereby hope to gain some support from that side, relying for his ultimate victories on substantially solid backing from the almost-as-powerful GOP; or, as the alternative, take the risk of head-on clash, an all-or-nothing gamble.

But that supposition may be set aside: the President found a third course. The State of the Union message leans in neither direction; it is couched in forthright language and its propositions are given the priorities and the distribution of stress that could be expected were it addressed to a body totally devoid of political labels.

Where runback of the record edges toward self-praise for the White House or the party in power, it is boastful to the point of inviting challenge. There is no groveling before the democrats' new-found strength, nothing that gives off even a whiff of compromise for the sake of political bauble.

Wherein is the Change?

To those who recall last year's message, the content is the height of repetition. The critical may move from that point to stamp it a catalog of lost causes; but that overlooks the fact that the business of government like all other business, is a growing, living thing, that its anatomy remains relatively unaltered from year to year, and that changes are marked by surface breadth, not by depth.

Most of that which has appeared in State of the Union messages over the past decade is here, with such shifts as are needed to reflect expanding jurisdiction or progressive growth: farm program, labor, defense, world affairs, etc. In none of them is a fundamental change suggested. Likewise there is no suggestion of abandoning any position taken one year ago.

Probably the simplest summation of the message would be this: President Eisenhower has told congress and the country what his program for the next year will be, Capitol Hill willing; having done so, he is willing to permit congress and the public to judge its worthwhileness, to assess credit or blame for its success or failure. And he has done so in tones neither of over-confidence nor displaying the deadly weakness of defeatism.

The element of surprise, which injects sharp interest to any President's first message on the State of the Union, is generally missing from the next following one. That is understandable: there hasn't been time for accomplishment of the broad purposes which the electors thought important enough and sufficiently comprehensive to justify changing national political control; and if the message did prove to be surprisingly different it would, of course, mark a deliberate by-passing of objectives, unless explained away by exploded world conditions.

But in the case of the document now under examination, there was something more to lessen novelty of chapter and verse: a switch in policy on the part of the President which seems purposefully to wipe out the surprise element in favor of a tactic of preparing congress for what is to come, or of pre-empting claims of originality in the field of expected legislation.

No Labels for Ike

Because thinking of that nature is prompted several times along the route of the message, it might be interesting to explore the probability that this means more than a technic adopted for purposes of the particular writing, and actually marks a basic change in White House contacts with congress and with the public. Could it mean a borrowing of the FDR system of "going to the nation?" Then, congressmen learned of Presidential programs through communications addressed to the general public, not peculiarly beamed to them.

The southern version of the Vacation White House, at Augusta, Ga., was the springboard for many of the recommendations which normally would have been saved for the State of the Union message. Certainly, the President's position on excise and corporate tax cuts was made well known before it went officially to congress. So, too, was his recommendation for increased pay for military and civilian personnel in federal service. And his ideas on minimum wage boost. And on several other major topics.

It may be suggested that the President was anxious to describe, in broad outline, what he meant when he dedicated the remaining two years of his term to a "Progressive Moderate" program. The term cries out for definition! It is a label which every member of congress, if not everybody in or on the fringe of politics, likes to imagine fits himself with tailored preciseness.

President Eisenhower understandably knows that labels can be dangerous. He has seen "New Deal," "Fair Deal," "New Guard," "Old Guard," "Dixiecrat," "Eisencrat," and dozens of others start out as watchwords of noble crusades and boomerang as weapons for verbal attack. The manifest anxiety by the President to associate with "Progressive Moderate," a bill of legislative particulars which has popular appeal, could simply mean that he is determined to underscore his role of leadership, eschewing "me, too" casting.

The Over-Riding Consideration

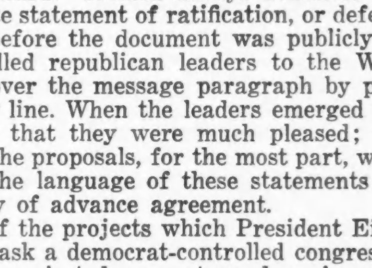
Some of the work that went into pre-selling the message smacked of hucksterism. Anticipating little difficulty with the foreign relations program (quarrelsome statements by some congress notwithstanding) the White House began several weeks ago to prepare Capitol Hill on domestic issues. Press Secretary James C. Hagerty had installments of the message ready for preview — first at weekly intervals, and then on a day-to-day basis. Where explanation seemed needed, or opposition was expected, one of the party "faithful" seemed always available with the appropriate statement of ratification, or defense.

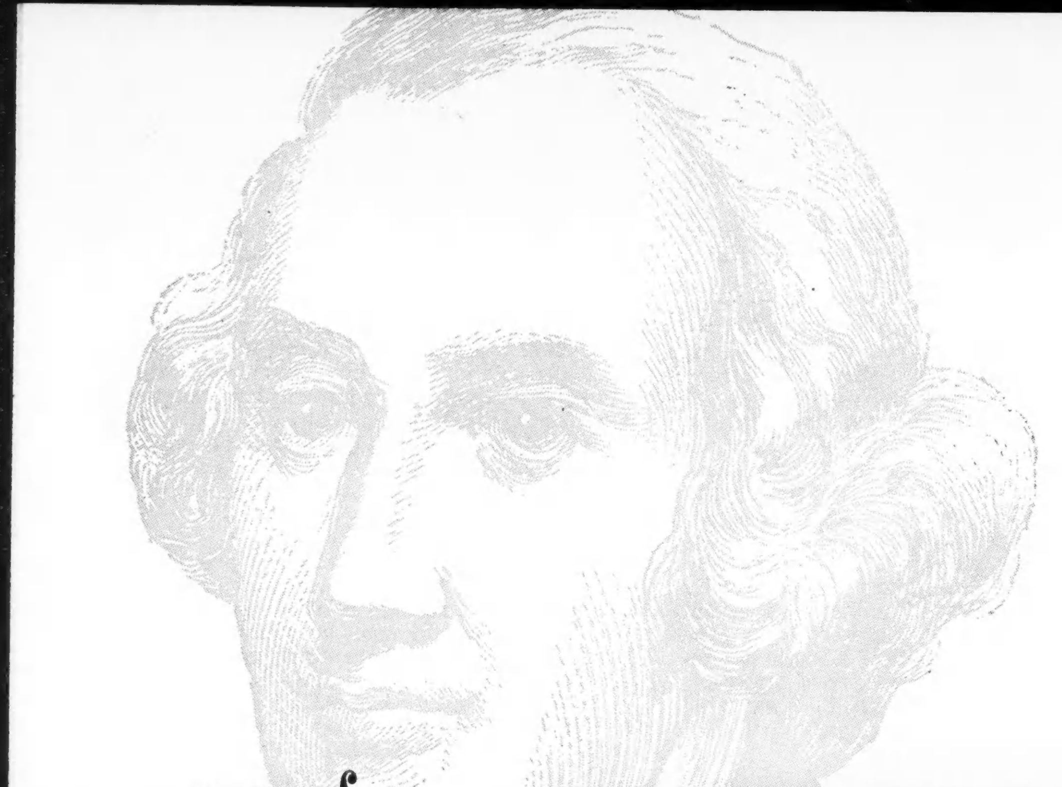
Two days before the document was publicly unveiled, Ike called republican leaders to the White House to go over the message paragraph by paragraph, line by line. When the leaders emerged they told newsmen that they were much pleased; they forecast that the proposals, for the most part, would be adopted. The language of these statements had the uniformity of advance agreement.

But many of the projects which President Eisenhower was to ask a democrat-controlled congress to enact had been rejected, or postponed—or ignored—only one year before, by a congress dominated by his own party. Naturally this gave rise to GOP concern that General Eisenhower might be going too far with his liberal-democratic of "PM" ideas. Such a charge would seem to be refused by a comparison of this year's message with the one that went before it. There simply are no fundamental policy differences.

World peace seemed the uppermost concern of the President and it had first priority in the reading. It expressed both an aspiration and a determination, with overtones of (*Please turn to page* 534)

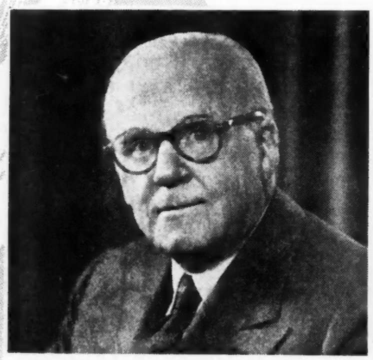
In the great tradition of Presidential Messages, President Eisenhower's State of the Union Message to Congress outlined a program of very great scope. How much of this program may be enacted by a divided Congress is fully discussed in this penetrating analysis. The author is intimately acquainted with the men who will have the greatest influence on coming legislation and his conclusions, accordingly, command more than ordinary importance. One can be sure that the President's recommendations, which always carry great weight at home, have made a very deep impression on every government in the world, especially the one controlling the Soviet Empire.





men of FAITH and GENIUS

by Harold Wieland



Ernest T. Weir, Chairman
National Steel Corporation

David Sarnoff, Chairman
Radio Corp. of America

The greatest wealth of the United States lies not in its fabulous possessions but in the audacious and unconquerable spirit of its leaders and its people. From the earliest days of the nation, hacking out a living space from the stubborn wilderness, moving ever further west as the people subdued the continent, America has been an eternal symbol of the spirit that conquers all. While the people, at great sacrifice and labor were triumphing over the vast domain, the American mind, ever restless and ever dynamic has unflaggingly pursued the conquest of the unknown and in the process revolutionary discoveries have harnessed new and tremendous forces to the nation's bidding.

Thus, America has come into its own against all the formidable odds which stood in its way. In peace, it has laid its plans for the future; in war, it mastered its enemies; in depression, it refused to allow itself to succumb, but finally emerged unscathed. The full tribute for this great and historic achievement which

no other people has ever accomplished, must be given to the people and its leaders equally.

While America has been fortunate in its leadership in every field, nowhere is the unique American genius that has created the overpowering national need to progress ever further and, often, into the unknown, better exemplified than through its industrial and business leadership. Here we see operating at its very apex, the vision, drive and resourcefulness which has not only contributed so much to raising the American standard of living but which has imparted vitality to every segment of the economy.

Like all real success stories, the story of American industrial leadership is one of struggle against great odds. Many failures have marked its course and its greatest triumphs have often left scars on the souls of men entrusted with the grave responsibility guiding our business concerns, and who hold the fate not only of their investors in their hands but that of millions of workers and countless industrial giants.

At no time has the capacity for business leadership in the United States been better illustrated than in the enormously revolutionary post-war era. To keep pace with new technological developments of major importance and even to create ever-more dynamic changes, the leaders of our industries have waged a relentless battle requiring the greatest courage, and unremitting effort.

Practical, hard-headed men though they be, they have not scorned to turn to the potent weapons of inspiration and imagination. Attached though they are necessarily to a sense of duty to their own companies, they are nevertheless even more motivated by a sense of overwhelming responsibility to inspire confidence in the strength of our institutions. This responsibility is accepted as part of their concept of what their duties are to the nation, in the broadest sense. In periods of economic setback, their capacity to inspire confidence which is derived from wise use of the great economic resources at their command is of supreme importance so that it may be truly said that the policies of men in a position of industrial leadership can have an over-riding effect on our entire economy. It may be said, too, that in the final analysis, it is the man who makes economics and not the other way around.

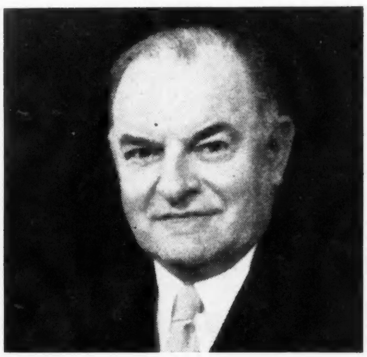
Each leader solves his problems in his own way and, of course, there is an infinite variety of problems in accordance with the variety of conditions under which the individual companies operate.

How these men set about their tasks and how, through their own efforts and those of their associates, they have helped to make ours the strongest economy in the world is the burden of this story.

Gwilym A. Price—The president of Westinghouse Electric is one of that remarkable group of executives who have come to dominate the American business landscape in the ten years following the War. "Bill" Price, like his colleagues in position of equal authority in other great corporations, takes the long view. Casting aside all doubts and qualms, together with his able associates, and, in the face of stupendous difficulties brought on unexpectedly by the Korean war, and its aftermath, he nevertheless saw clearly that America was on the verge of an unparalleled expansion.

He saw, too, that his company would have to abandon all previous concepts of gradual and moderate growth, a conservatism which had distinguished the company in past years, and to step out boldly with new plans, no matter how much money this would involve. His audacious reasoning convinced the hard-headed directors, and they backed up his judgment by authorizing in 1951 a $300-million expansion program, financed by the Prudential Life Insurance Company. This was, up to that time, the largest piece of private financing in the post-war period and still remains a high-water mark.

Mr. Price's career is a "success" story with which America is familiar. Of Welsh descent, a son of a roller in a tin mill, he worked his way through college and became a lawyer. For ten years, he was in the banking business before being appointed vice-president of the company he now heads. This is valuable experience in the modern American corporation which depends on money know-how as it does on technology. But in advancing the new techniques, especially in electronics and metallurgy, "Bill" Price has long seen that these were the industries of the future and his company now shows the effects of his



Fred J. Emmerich, Pres.
Allied Chemical & Dye Corp.

Ralph J. Cordiner, Pres.
General Electric Company

John Jay Hopkins, Chairman
General Dynamics Corp.

thinking.

Westinghouse's president does not believe that the American corporation exists solely to make profits. He sees his company—and others—as a public, as well as a private, institution and that no corporation can exist to-day unless it serves the public in every sense. Above all, he sees that unless the large corporation takes its full share of the responsibility in maintaining and advancing the economy for the sake of the entire nation, as well as for its own earnings and dividends, the free enterprise system may ultimately be discredited. This may be quite a different way of thinking from that of the old-time corporation executive but that is the way it is with "Bill" Price. No wonder, his philosophy is having such a powerful effect on other American business leaders. And, of course, his co-directors and stockholders are as pleased with Price's immense prestige as they naturally are with the solid foundation he has laid under the company's earning power and its future.

Walker Lee Cisler—The operation of a large public utility company these days is one of the most difficult jobs in America. This is particularly true of companies that operate in highly industrialized areas, such as Detroit Edison. Public utility executives must understand the nature of the shift in population centers and the changing habits of the people. This means being a high-power economist, engineer, psychologist and social philosopher, all rolled into one. These qualities and quite a few others, Walker Lee Cisler, president of the Detroit Edison Company has in abundance. He is also one of the most perceptive among America's industrial leaders for he has been in the forefront of those who see that the harnessing of atomic energy to private use is coming much sooner than many have foreseen.

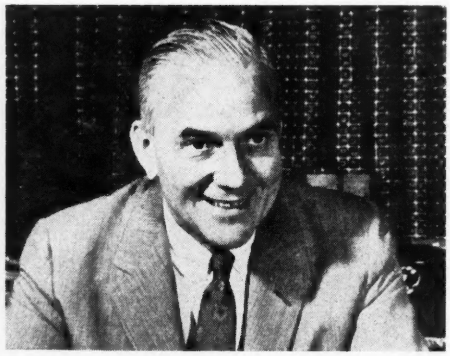
As far back as 1947, he served as executive secretary of the AEC Industrial Advisory Group and he is mainly responsible for that remarkable development in which 33 companies have joined with Detroit Edison in the Atomic Power Development Project. Mr. Cisler is very energetic in promoting a better understanding among the people of the inherent potentials of atomic energy for industrial use and has done much to allay fears among public utility stockholders that atomic energy would some day displace conventional methods of producing power. For this they are grateful to the Detroit Edison president.

So far as his own company is concerned, despite his preoccupation with the possibilities in the industrial use of atomic energy, he has kept a strong hand on its affairs. Construction of new facilities has kept pace with the growth of the territory which his company serves, no mean job when it is considered how rapidly Detroit has grown in the past ten years. And stockholders are quite well satisfied with the gradual and sound growth of earnings and dividends.

But Mr. Cisler sees that the chief executive in an important industrial enterprise has a much broader duty than that merely to his stockholders. Thus, he takes active part in the affairs of his city and has served his government in many important capacities. He is foremost among those leaders who live up to the philosophy that the modern American corporation must take part in the life of the people it serves. He views his company, therefore, as an economic and social force of great magnitude—in concert with other great corporations—to promote the welfare and prosperity of the nation.

men of FAITH and GENIUS

Gwilym A. Price, Pres.
Westinghouse Electric Corp.



Patrick B. McGinnis, Pres.
N. Y., N. H. & Hartford R. R. Co.

David Sarnoff—Though he would be the first to reject the description, Gen. Sarnoff probably comes closer to being the simon-pure brand of genius among executives in the electronics industry than most others. His story is certainly colorful and is a perfect example of how circumstances and opportunity can take a brilliantly endowed young man and, aided by his own unremitting efforts, lift him to the dizziest pinnacles.

David Sarnoff was only a messenger boy at fifteen but by the time he was thirty-nine, he was already president of the Radio Corporation of America. Against every possible handicap—poverty, family responsibilities and foreign birth—Sarnoff has had to struggle against odds that would have downed most ordinary men. A daring experimenter, his dominant characteristic, General Sarnoff has tried practically everything in electronics. He was even—at the age of twenty—a marine telegraph operator aboard the S S. Beothic, the first wireless operator on board when the ship was on a seal-hunting expedition to the

Arctic ice fields.

The head of RCA will essay or authorize the most fantastic experiments, in sensitive appreciation of the direction of the main currents in this field, that will open up a new and profitable avenue for development. Since he himself is an expert in practically every phase of research in electronics, he is in an excellent position to judge the value of work of the scientists and engineers who work under him. Sarnoff has made very few bad guesses, and in his career has many bulls-eyes to his credit. Thus, he has been among the very first to recognize that radio waves could be used for purposes other than dot-and-dash communication. He has been a pioneer in TV, and in all the newest electronic developments—the transistor, magnetic tape and color TV. It has meant a great deal to the company and its stockholders that it should have been in the very forefront of all the new and wonderful developments in electronics and it owes most of the success for these achievements to its chairman.

As a modern executive, Sarnoff is a leader in promoting the cultural use of the field of communications and his contributions to our defense effort have been phenomenal. It is not often that the success of a great corporation can be largely attributed to a single individual but in this particular instance, this seems justified.

Walker K. Cisler, Pres.
Detroit Edison Company

Amory Houghton, Chairman
Corning Glass Works

Leland I. Doan, Pres.
The Dow Chemical Company

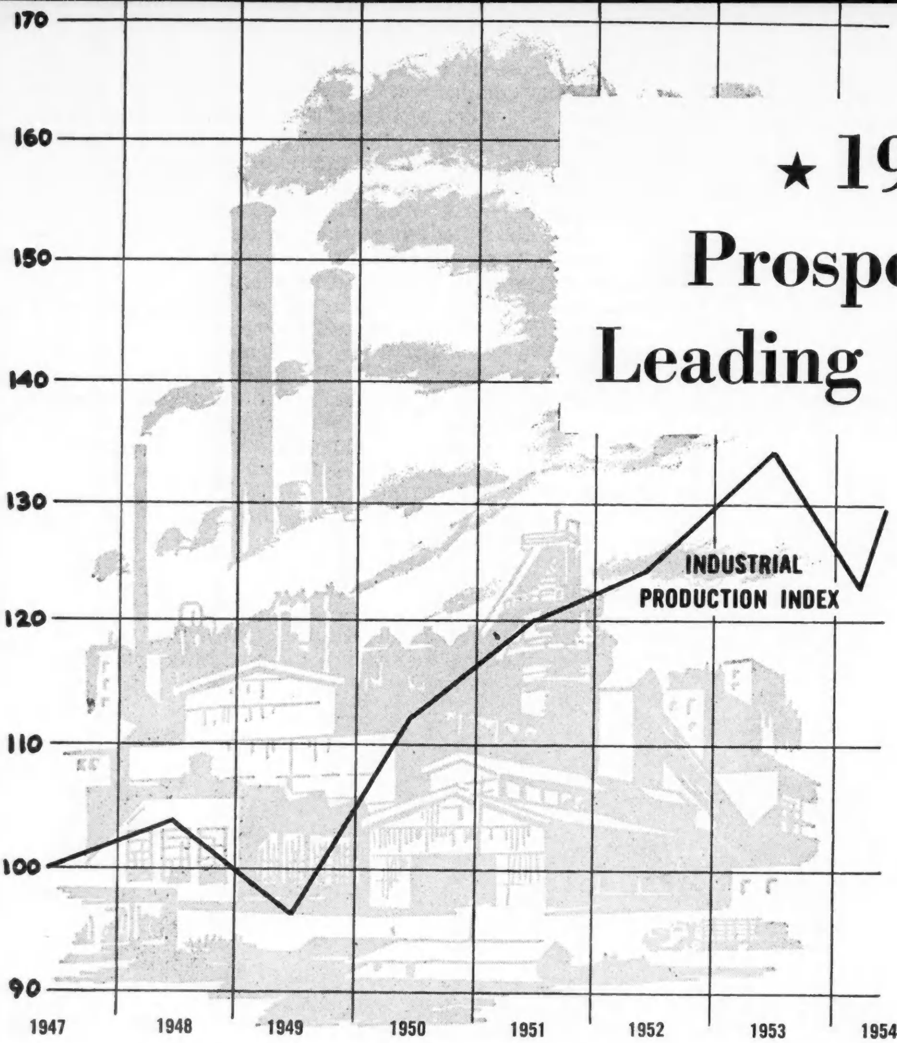
Fred J. Emmerich—Since assuming his present job in 1946 as president, Fred J. Emmerich, in a large measure, has staked out Allied Chemical & Dye Corporation's new place in the sun. Although Allied, under the old regime, was not exactly a moribund corporation, its slow stately pace contrasted with other organizations in the chemical industry. It was constricted by ultraconservative financing and desultory research under a management that apparently regarded the company and its affairs as something of a private domain. Stockholders were given only the barest of details concernings operations, although the company did issue an annual earnings statement and a balance sheet.

One of Fred Emmerich's first moves upon his assuming the presidency was to do away with this policy of secrecy. He brought Allied out into the open where those interested could see and understand what the company was doing. He abolished what figuratively was the "throne room" of his predecessor and let it be known all down the line in the parent company and its divisions that expressions of opinion and suggestions would be welcomed. The changes Fred Emmerich wrought, gradually and quietly, brought to Allied, now the nation's third largest chemical company, with sales at over a half billion annually—a new vitality in its manifold operations. Under his guidance, impetus has been given to sound expansion and diversification based on a forward-looking research program. Particular emphasis has been on development activities in new expanding fields while, at the same time, continuing work necessary to maintain the company's position in its well diversified line of basic chemicals. New laboratories were constructed and put into operation with the most efficient tools for research, creating increased employment for research chemists, technicians and other research personnel. Its broad program of expansion in the postwar years has contributed materially to the strength of the nation's economy while at the same time laying an increasingly broader base for Allied's current and future operations.

From the time he began his career in the chemical industry 35 years ago as an accountant for National Aniline & Chemical, now an Allied division, Fred Emmerich's consuming interest has been Allied Chemical & Dye. His philosophy of management is that no one man knows all the answers. Accordingly, as president of Allied, he has cultivated a responsible and progressive management team, alert to new ideas and new methods, who all share his strong belief in the continued growth of their company in the steadily expanding chemical industry.

Ralph J. Cordiner—As president of General Electric, Ralph J. Cordiner typifies today's top echelon executives who, while thinking in terms of day-to-day competition, concentrate on long-term strategy. For Mr. Cordiner this is an essential policy which involves research in improved and new products as well as in expanded production facilities to meet the needs of a growing population and an expanding economy, possibly even surpassing the (*Please turn to page* 542)

★ 1955 ★ Prospects for Leading Industries



PART II By GEORGE W. MATHIS

In part I of this survey into industry prospects for 1955, the major factors affecting the business trend were enumerated. On balance, it was found that a recovery period from the 1953-mid-1954 "recession" had been inaugurated but that it might take on a somewhat uneven appearance. It was pointed out, for example, that the outlook favored producers serving consumers to a greater extent than it favored those primarily serving the defense effort.

Outlook for Plant Expenditures

With respect to manufacturers heavily involved in producing for the Defense Department, a forecast of the size of expenditures, foreshadowed by statements from Washington, would indicate a greater emphasis on military aircraft and guided missiles (which includes electronics) and less on conventional arms; but stockpiling of some strategic materials will, most likely, be increased. It is estimated that there will be a $2 billion reduction in expenditures for plant and equipment. This is a comparatively moderate reduction in view of the still very large over-all total. Nevertheless, some manufacturers will feel the effects of this cut. On the other hand, it is probable that 1955 expenditures for plant and equipment might have dropped even further were it not for the incentive to business caused by lower taxes (principally the excess profits tax) and greater depreciation allowances.

As we enter the new year, there is no doubt that a feeling of greater confidence in the nearby future has developed among all segments of the business population. This is due, partly, to vanishing fears of war, although prolongation of the cold war indefinitely is generally accepted as a part of the way of life. Partly, restored confidence is due to reliance on the continuation of moderate government policies which are calculated to be of benefit to business and, therefore, to the nation as a whole. Under the stimulus of this greater feeling of ease, consumer spending is increasing and gives signs of increasing still further in the near future.

In the first part of this appraisal of the outlook for individual industries, we covered, among others, such basic industries as: steel, autos, construction, railroads and chemicals. In this installment, among other industries, we cover petroleum, non-ferrous metals, textiles, the equipment industries and the electrical industry.

MERCHANDISING—The retail outlook is one of the most favorable aspects of 1955 business conditions. By all the available evidence, disposable personal incomes available for expenditure in the market places for consumer goods and services should be as much as $8 billion greater than in 1954. Moreover, only a very small part of this increment to spending power—probably no more than $1.5 billion—will be absorbed by services: the remainder will doubtless find its way across a retail counter.

This implies a level of retail trade in 1955 perhaps as much as 5% above 1954, and 1954 was a good year.

Particularly outstanding, as far the 1955 record is concerned, are the prospects for apparel and general merchandise chains. Sales of apparel were not poor in 1954, but they ran moderately below their indicated normal level. The very high volume of Christmas trade in these soft goods may be indicative of a return of apparel to its historically normal share of total consumer spending.

For durable goods sales, and for such associated industries as the finance companies, which do their business on the sales of consumer hard goods, the outlook is less clear, but still good. Competition within these industries, and also between them, is intense. Distributive margins have ben squeezed, and heavy production schedules of the major producers in appliances as well as automobiles argue that supply will be in excess of demand, with further acute price problems. But even here volume is likely to be so high as to provide very satisfactory profits.

PETROLEUM—For the petroleum industry, 1954 was saddle-shaped: strong at the beginning, weak in the middle, and recovering rapidly as the year closed. For the year as a whole, total petroleum consumption in the United States showed only a very slight percentage gain over 1953—the lowest rate of increase in many years. Employment in the refining industry was actually slightly below 1953—the first such decline in the postwar period.

For 1955, the outlook is considerably brighter, however. Gasoline consumption, which rose from a daily average of about 136 million gallons in 1953 to about 140 million in 1954, should climb to about 148 million in the current year, as the combined result of more cars, higher horsepower, and more traveling per car. Industrial recovery that began in late 1954 also implies an increased consumption of residual (industrial) fuel oils, as well as industrial lubricants. A high rate of residential building implies a sizeable jump in the market for home heating oils. And the continued growth of markets for insecticides and the whole range of petro-chemicals suggests rapid expansion in these areas. To meet these combined demands, domestic refining capacity is expected to expand only negligibly in 1955, which suggests that the heavy drain on the cash of refining companies will not be present in 1955. This in turn suggests that the expected ample earnings will be reflected in high liquidity, and in individual cases, in improved returns to stockholders.

NON-FERROUS METALS—Three of the basic nonferrous metals—copper, lead, zinc—experienced a weakening in market demand, and some price weakness, well before the onset of the 1954 recession. Throughout 1954, however, these markets exhibited much more strength than was expected. The copper price stuck doggedly at 30 cents a pound, in the face of a steady stream of comment that the price was unrealistically high. Lead and zinc prices actually strengthened moderately during the year, and the aluminum market was firm.

In the light of this behavior during a year of recession, the price outlook for all of these commodities is favorable in 1955. Moreover, physical demand for virtually all non-ferrous metals is now exceedingly high, with many domestic mines working a seven-day week. The automobile industry, with its huge nonferrous demand, is believed to be a dominant element in this strength, however, and it is worth bearing in mind that when passenger car output slows, as is almost certain for later in the year, metals demand will slow along with it. Automobile radiators, and original-equipment storage batteries, remain the two principal uses of copper and lead, respectively, in this country, and the two commodities are very likely to reflect any weakening in the automotive outlook.

Apart from the influence of automotive production, the technical position of all non-ferrous metals is now strong. Inventory liquidation by consuming industries was very pronounced during 1954, and the new year has begun with fabricators' stocks generally quite low. The need to refill inventories is likely to be an important support in the 1955 market.

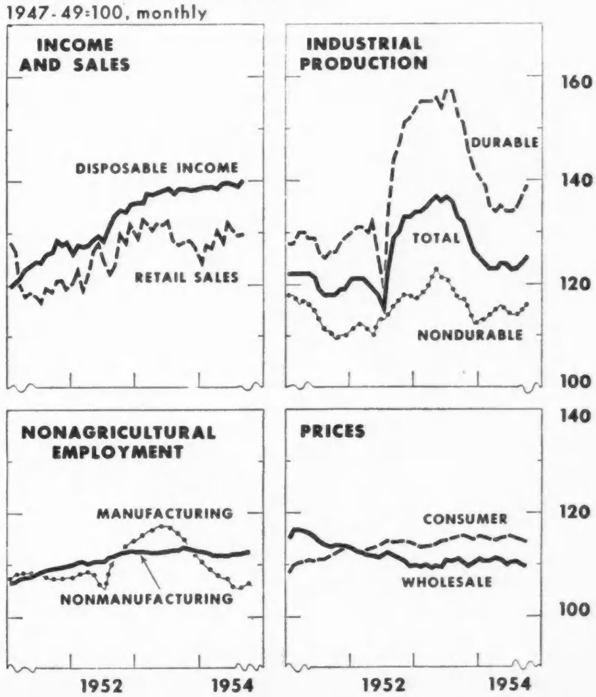
RAILROAD EQUIPMENT—In 1954, producers of railroad equipment experienced a far more serious recession than business generally. The boom in outlays for new railroad facilities, stimulated by provisions of the fast-amortization law, terminated in 1953. Expenditures for new plant and equipment by the roads in 1954 fell to about $800 million, more than 30% below the 1953 rate, and the lowest level since 1946.

As a result of this decline in demand, backlogs of the railroad equipment industry fell very sharply in 1954. Freight car backlogs fell from about 12,000 at the end of 1953 to about 5,000 currently. Passenger car backlogs, likewise fell, although less severely. Shipments of both freight cars and passenger cars sagged, and earnings of the car builders fell accordingly.

By about the third quarter of 1954, however, this general decline in railroad equipment orders and shipments was evidently about over—in part because rail traffic, and railroad earnings, stabilized and began to rise in the fourth quarter. For the year ahead, the rail traffic picture is considerably improved over 1954, and this improvement is already being reflected in the order books of companies supplying the roads with

SELECTED BUSINESS INDEXES

1947-49=100, monthly



rolling stock, and maintenance items. Too, the roads are intensely interested in cost reduction, particularly in the light of their competitive struggle with the trucking industry. For both of these reasons, 1955 should see a satisfactory rise in railroad equipment sales and earnings.

FARM EQUIPMENT—Like the railroad equipment industry, producers of farm equipment suffered more severely than general business in the 1954 recession. Farm incomes have been on a more or less steady decline ever since early 1951, and this decline in income has carried with it the farm market for production machinery, as well as for consumption goods and farm construction.

Unlike railroad equipment, however, the outlook for the farm machinery industry in 1955 is not overly-bright. Crop production in 1955 has been curtailed markedly, as a result of a Republican shift of the legislative control over farming from price support to curtailment of crops. And despite this curtailment of acreage allotments, the price outlook for most agricultural commodities is not particularly strong. The farm parity ratio—one of the keys to the income status of American farming—has begun 1955 at the lowest level of the postwar years, a level which implies another 5% decline in the net income of farm operators.

Employment in the agricultural machinery industry is now running about 7% below a year ago, and a further slight decline during the year is probable. Earnings of the machinery producers, however, should hold up better than the envisioned decline in sales volume would indicate, both because of diversification of many producers, and also because of the steady rise of productivity in the machinery industries.

OFFICE EQUIPMENT—The office equipment industry in 1954 suffered a moderate degree of inventory correction, which resulted in a decline of over 5% in the industry's production rate. However, its sales held up extremely well—much better than average. And the same factors which accounted for the industry's favorable performance during the recession year 1954 suggest a continuing high level of demand, and high earnings, in 1955.

Principal among these reasons is the intensive drive, in industry, to reduce non-manufacturing costs as successfully as manufacturing costs have been reduced. To meet this demand, the industry's elaborate research facilities have been turning out new products—new designs in office machinery—at an extraordinary rate, particularly in the utilization of electronics in calculation and analysis of data. The Remington-Rand Univac, and the various recently announced IBM machines, while they are not yet in production on any considerable scale, have dramatized the possibilities of electronic calculation.

Employment in the office machinery industry reached a trough in the early fall, and has since been rising slowly. It is likely that output in the industry will achieve a new record in 1955. Profits should rise too, although less than proportionately, since price competition in the industry is now keen.

AIR TRANSPORT—During 1954, revenue miles flown by scheduled airlines increased roughly 5% above 1953, which was in turn about 10% above 1952. The bulk of this growth has been in passenger traffic, of course, and in 1954 growth in freight traffic by air was very slim, partly as a result of the general business policy of inventory liquidation which prevailed almost throughout the year (for the same reason, freight carloadings of railroads in 1954 were markedly below 1953.)

For 1955, the prospect is for further steady growth in passenger traffic, and what may turn out to be a very sensational growth in air freight. For passenger traffic, higher personal incomes expected in 1955, together with increased travel by business sales executives in the hotly competitive year ahead, should assure at least a continuation of the recent growth trend, despite increased competition within the transportation industry from the railroads. For freight traffic, the current low level of merchandising inventories, and the expected high volume of trade, argue strongly that retailers and distributors will make substantially greater use of the air-delivery method, which reduces inventory requirements and speeds customer service. At the same time, the sharp upward trend in postal freight carried by airlines continued through 1954, and doubtless will run through 1955.

All of this suggests that the air carriers will benefit, in 1955, from a substantially higher load factor—a high percentage of freight and passenger space occupied—and a very considerable improvement in profits. The current year should see the airlines establishing themselves on a permanently higher level of earnings.

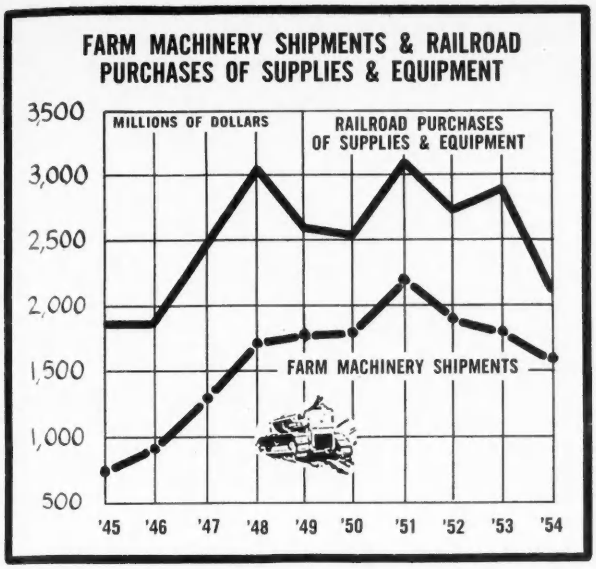
BUS TRANSPORT (PASSENGER)—TRUCK TRANSPORT—Bus passenger traffic in the United States subsided rather sharply in early 1954, as a result of recession. At the same time, operating expenses of bus lines continued to rise, mainly because of wage adjustments, and profits were squeezed sharply. However, the squeeze was tightest early in the year; in the last half of 1954, passenger traffic stopped declining, and profits stabilized.

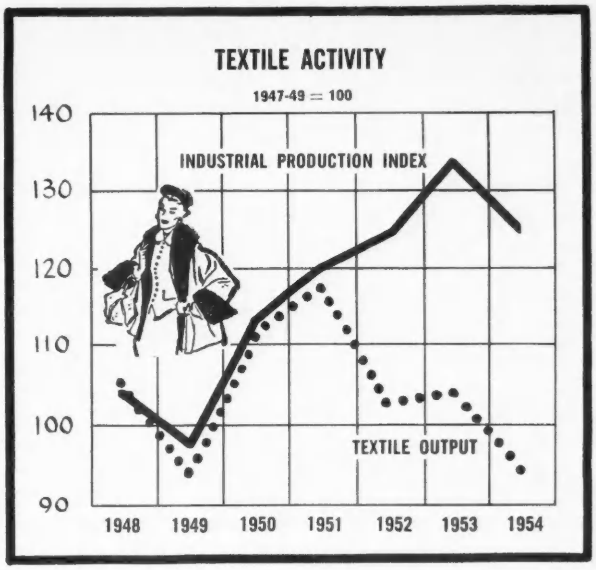
Considerable improvement in the bus transportation picture can be expected in 1955, as a result both of the long-term secular trend toward increased recreational travel in the United States, and because personal incomes in 1955 will doubtless set an all-time record. Moreover, attractive bank rates are now available for borrowing for the purpose of taking a trip, and banks are competing aggressivly for this kind of business. Total bus traffic in 1955 is likely to approach or equal the record levels of 1953, although profits are not likely to equal 1953's level because of the intervening rise in operating costs.

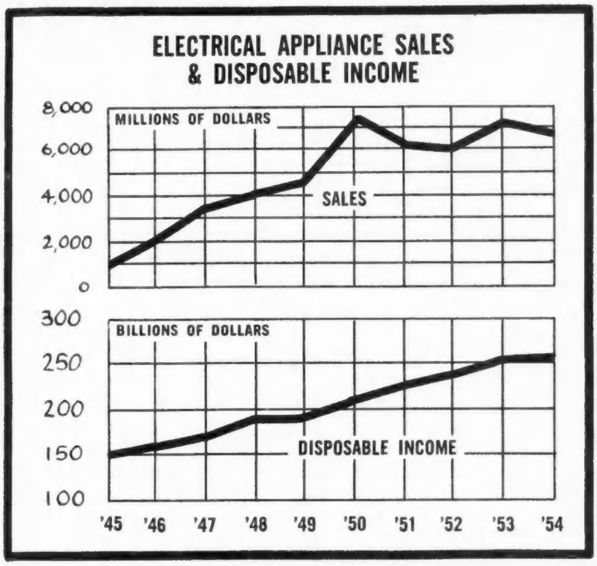
Inter-city truck tonnage in 1954 was about 5% below the record tonnage of 1953, again reflecting the inventory recession. Recovery in tonnage began in late 1954, however, and important improvement is expected in 1955. This, combined with generally higher rates, should yield considerable gains in the industry's net income.

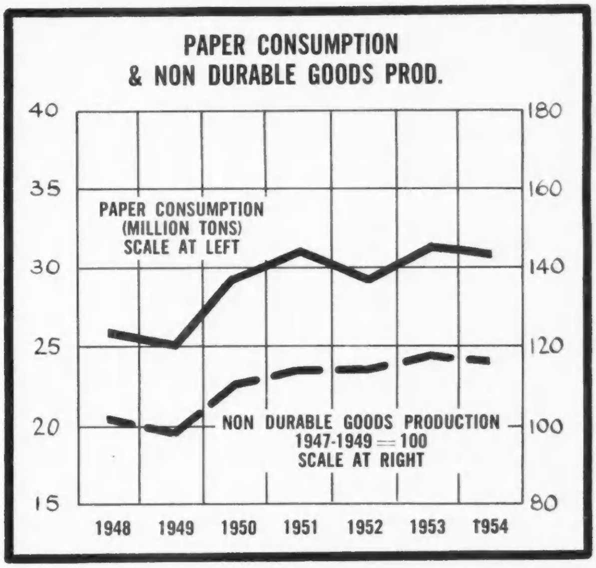
SHIPBUILDING, AND SHIPPING—In 1954, activity in American shipbuilding yards sank fully 25% below 1953. This decline marked the end of the sudden burst of building activity which arose out of the beginnings of war in Korea, and a new level of international tension. It also reflects the continuous shift of American military strategy toward retaliatory land-based air power, and away from the strategy of land invasion.

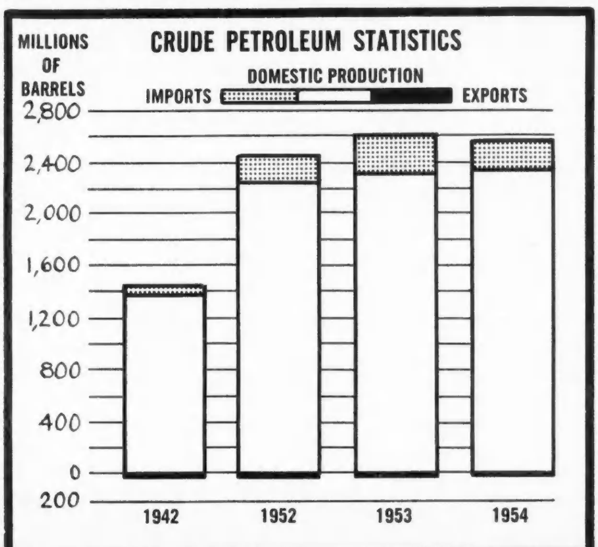
Because this shift is of a semi-permanent character, military business for (*Please turn to page* 532)

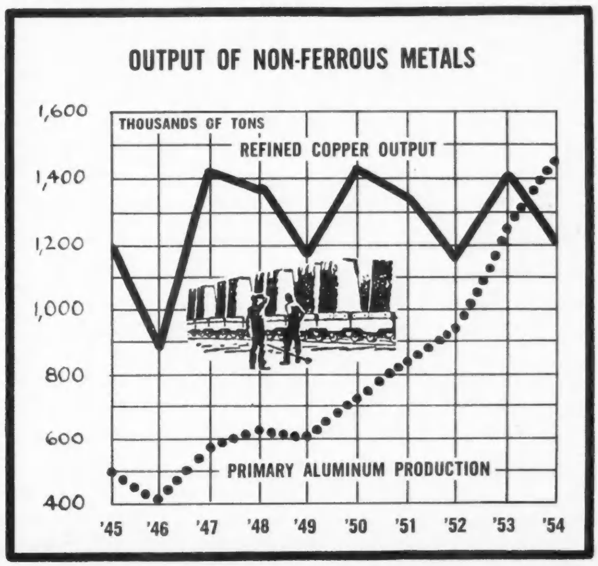

FARM MACHINERY SHIPMENTS & RAILROAD PURCHASES OF SUPPLIES & EQUIPMENT
MILLIONS OF DOLLARS
RAILROAD PURCHASES OF SUPPLIES & EQUIPMENT
FARM MACHINERY SHIPMENTS
3500
3,000
2,500
2,000
1,500
1,000
500
'45 '46 '47 '48 '49 '50 '51 '52 '53 '54


TEXTILE ACTIVITY
1947-49 = 100
INDUSTRIAL PRODUCTION INDEX
TEXTILE OUTPUT
140
130
120
110
100
90
1948 1949 1950 1951 1952 1953 1954


ELECTRICAL APPLIANCE SALES & DISPOSABLE INCOME
MILLIONS OF DOLLARS
SALES
8,000
6,000
4,000
2,000
0
BILLIONS OF DOLLARS
DISPOSABLE INCOME
300
250
200
150
100
'45 '46 '47 '48 '49 '50 '51 '52 '53 '54


PAPER CONSUMPTION & NON DURABLE GOODS PROD.
PAPER CONSUMPTION (MILLION TONS) SCALE AT LEFT
NON DURABLE GOODS PRODUCTION 1947-1949 = 100 SCALE AT RIGHT
40
35
30
25
20
15
180
160
140
120
100
80
1948 1949 1950 1951 1952 1953 1954


MILLIONS OF BARRELS
CRUDE PETROLEUM STATISTICS
DOMESTIC PRODUCTION
IMPORTS
EXPORTS
2,800
2,400
2,000
1,600
1,200
800
400
0
200
1942 1952 1953 1954


OUTPUT OF NON-FERROUS METALS
THOUSANDS OF TONS
REFINED COPPER OUTPUT
PRIMARY ALUMINUM PRODUCTION
1,600
1,400
1,200
1,000
800
600
400
'45 '46 '47 '48 '49 '50 '51 '52 '53 '54

LABOR LOOKS SOURLY AT WASHINGTON

By "VERITAS"

JOHN L. LEWIS took a dim view of the legislative outlook as congress began showing signs of settling down to business. The mine boss already had summed the situation to his own satisfaction: "The last election demonstrated the fact that the economic questions—the questions of bread and butter—in America are foremost in the minds of the average voters." Taking a close-up look after the session came to order, he appended: "Under the tight control of conservative democrats there are no signs that any progressive legislation of benefit to the common people will see the light of day."

WASHINGTON SEES:

Democrats in congress believe they have latched onto an extremely valuable issue—one which assures democratic unanimity, can split the republicans, and is certain to win a large share of newspaper and public support: careless, and sometimes political, use of the "risk" investigations and firings.

It is an anomoly that the line of attack on which the GOP only one year ago relied on to strengthen its hand on Capitol Hill, and which the democrats feared most, has changed hands. What the democrats now have in mind amounts to a censuring the Ike Administration, in much the same manner as it aided in condemnation of Senator McCarthy —and it's at that point that the demmies see a chance to split their opposition. Not only does this prospect loom with the chance afforded the Wisconsin Senator and his team to fight back, but also in the growing demand, publicly stated by leading republicans in congress, that the "numbers game" in general and its application to certain situations (Oppenheimer, Condon, John Paton Davis, and Ledejinsky) in particular, be overhauled.

A senate civil service subcommittee stated what it assured is a supportable premise, when congress met earlier this month: "The security program has hurt the morale of government employees and also recruiting for government positions, and we can prove it." With the democrats it's a calculated risk, however; they're sunk if they attempt to suggest the need for a vigorous, but wise, security program hasn't been abundantly shown.

ECHOING Lewis' sentiments other labor groups sized up their problem succinctly: "Southernors control committee chairmanships." They went beyond the mine chief's note of despair, almost to the point of writing off Washington for the next two years, and turned attention to the states, where organized labor thinks it will do better. Unions count heavily upon ousters of republicans, by democrats, in the key statehouses of New York, Pennsylvania, and Connecticut; the retention of Ohio and Michigan by labor-friendly governors. With 44 legislatures convening this year the field is inviting to their lobbyists.

DOZENS of labor organizations including the top ones—CIO and AFL—publish newspapers for their memberships, and the January productions follow a pattern which hints advance huddles and agreements. It's forecast that the democrats in congress will "make the republicans look bad to labor" by forcing votes on controversial bills—but will gain nothing finally; that the democrats will make no real effort to cut individual income taxes until 1956—then will succeed; that unions, for the present, must figure on another Eisenhower-Stevenson campaign in 1956 and proceed with realization that Ike will be hard to beat.

EMPLOYERS looking to Washington for guidance in treating with the overall problem of payroll boosts will find a free-handed Administration about to pass out pay raises, left and right. The military forces are assured of more money and other benefits; the President has beaten congress to the draw by coming out for higher salaries for civilian workers on the federal rolls; the Civil Service Commission has told an attentive congress the lawmakers should boost their own "take" at once.

As We Go To Press

Jockeying for favorable position for pet legislation and digesting the initial "messages" from the White House will get essential preliminaries out of the way on Capitol Hill, but January will come to a close with nothing tangible on the record. The seeming pointless movements might have been avoided if the special session to censure Senator McCarthy had remained on to do business. In the nature of things congressional, there always must be re-organization of both houses to install dominant party control, committee selection, and pep talks among which are the Presidential messages.

While it is difficult today to gather significant happenings out of the passing show, one thing has become apparent on the record: there is a strong flavor of legislative conservatism in the brew that is being mixed for the congressmen. Strong personalities with abundant experience, in good and in bad times, are at the helm. At the Capitol the dominant individual will be Speaker Sam Rayburn. Because of his constitutional position and the respect his four decades of congressional service bring to him, he is No. 1 man as the new session gets under way.

A review of Rayburn's record will associate him with many of the most adventuresome statutes of the New Deal era. But that's because he was chairman of the interstate and foreign commerce committee then and the keystone of the FDR plan was centralization of government, absorbing local function that were not theretofore regarded interstate. The new laws carried the committee chairman's name. But they definitely didn't carry his authorship and, in many cases, his support was far from enthusiastic. He was being a "party-faithful servant." He is not bound today by any such restraints.

The rules committee of the house will be chairmanned and completely dominated by Rep. Howard Smith of Virginia -- an arch-conservative who is far to the right of his Senator, Harry F. Byrd. Smith was a roadblock to many of the Roosevelt-Truman ideas, using his membership on the rules committee (he wasn't chairman then) to veto numerous proposals. Few realize the vast power this committee has: before any measure may come before the house for debate and vote it must be scheduled by the rules committee and this control over priority can be upset by the usually not-obtainable signatures of two-thirds of the entire house membership.

On the senate side, it has been tacitly agreed since Alben Barkley was returned to that branch that his seniority would be respected, the prerogatives he held at the time he resigned the majority leader's post to become Vice President of the United States would be reinstated. "Dear Alben" is another statesman with nearly half a century's experience behind him. While the present generation of voters remembers him best as the right-hand man of the Roosevelt-Truman two decades, he is basically a southern legislator with characteristic tendency to go slow on blazing new paths. Like Rayburn, he is not saddled this year with a program made up in the federal agencies and sent to him pre-digested, with orders to put it over. He, too, shows signs of returning to the conservatism in which he is more at home.

Senator Carl Hayden is chairman of the rules committee. The Arizona veteran is one of the more quiet men in congress. And it is the quiet of an elderly gentleman who appears to be reviewing his legislative experience with a recollection of the bright ideas that failed. The "shenanigans" of the early years under FDR were frowned on by him, voted for by him with misgivings. Now he will have a freer hand in passing on legislation offered to his committee for routing. He'll go along with Barkley's ideas, which means that he will be onthe cautious side.

Vice President Nixon's importance will come mainly in the vote he may cast to break ties -- circumstances in which he could be the individual responsible for

saving the White House great grief. The one-vote lead the democrats now hold in the upper house makes it "anybody's senate." Party lines may not mean as much in the current session as they have in earlier ones. That goes for both parties. The usual geographical problem plagues the democrats while what is described for convenience as the Taft vs. Eisenhower cleavage in the GOP, makes republican ties tenuous.

All of this adds up to great reserve power in the Vice President. But it must be agreed that, at this point at least, Nixon lacks the capacity to act as peacemaker either within his own party or as a conciliator between the two. Virtually every declaration of willingness to get along with Ike carries with it the democrat exclusion "but not with Nixon." He was most effective in this role in the first two Eisenhower years. Now, the White House knows it must run in a substitute. Unless, of course, the Vice President recaptures lost ground.

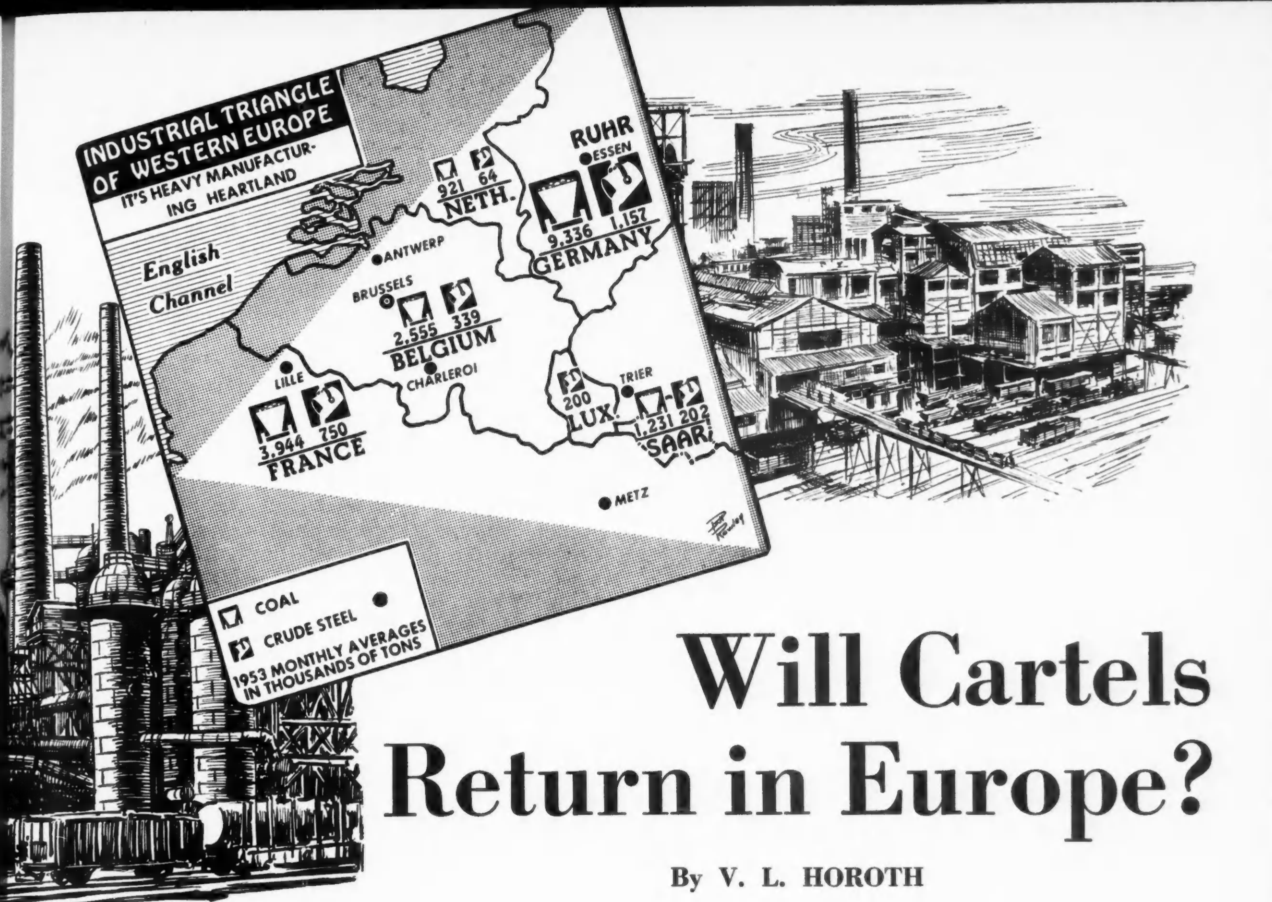
The legislative hoppers in both houses have been filled to overflowing since the opening day of the session. Printing of the proposed measures has fallen far behind the flow of introduction. Most of them never will reach the hearing stage, let alone become law. Many of them aren't seriously intended to make the grade; they're drafts carrying out campaign promises -- crossroads notions on reorganization of the government, foreign policy programs leading up to if not encompassing war declarations, special interest bills, and special stamps honoring persons from illustrious statesmen to energetic ward-heelers.

The job was rather well laid out for congress before the session was called to order -- topically, that is. Matter of fact, it seldom changes in that respect although the methods undergo an alteration with each national election. Military manpower, reciprocal trade, the Red menace, farm programs, public vs. private power development, foreign aid, taxes and appropriations, and aid to states -- for education, for highways, for public buildings. And for votes. They've been in every recent session and they're in this one.

Those who expect speedy action on legislative items which were under active consideration when congress quit Washington last year overlook the fact that each of the pending bills died with adjournment. All of the forward movement, calendar-wise, was lost. These measures must again come to light in the form of proposed bills, be referred to committee, wait their turn for hearing and report, and then mark time before the rules committees. Result is that the work that goes on this year, except for money bills, will go toward fruition next year. Probability is that intense political rivalries will be delaying factors; but there will be little to show in June simply because a vast amount of legislation will be moving simultaneously, rather than a few bills benefiting from concentrated attention.

The President wants the foreign trade program given first priority. That, of course, means early reference to committees; it does not mean that tax measures, appropriations bills, and some others will not first be out of the way. In fact the President's feeling of urgency in point of time, is based on his expectation that long -- perhaps bitter -- debate will precede any action on the wider aspects of import-export. The reciprocal trade agreements section probably will have to be separated from other aspects, to make certain that vote will come before the enabling legislation dies in June of its own terms.

Early conversations and other indicators show clearly an intent on the part of many members of congress to put on an act about changing the farm support program with little, if any, expectation that the asserted purpose will be attained. Just before the session began there was expectation that introduction of bills, a good many speeches, and other general activity would satisfactorily serve the purpose of a pro forma effort to get rigid price supports back. But when Secretary Benson became a more vulnerable target -- the Ladejinsky "security case" -- a more serious note entered the program. But it still isn't enough to work any basic change in the farm program adopted last year. Unless congressmen on both sides of the aisle, plus farm leaders, have misgauged the sentiment.



Will Cartels Return in Europe?

By V. L. HOROTH

For some time it has been reported in newspapers here and abroad that an extensive regrouping of German coal and steel companies is on the way. This regrouping not only reverses the postwar Allied policies aimed at breaking up "undue concentrations of economic power," but in affect provides a foundation for the revival of the much-debated German cartel system. According to the London *Financial Times*, the following groups are in process of formation:

(1) A combination would be effected of the Thyssen steel plant, the Phoenix steel plant and the Rheinische Roehren (Tubes), controlling interest of all three being in the hands of Frau Thyssen. The new combine would have an annual capacity of almost 4 million tons and would be not only one of the largest on the Continent but also one of the most modern, having at its disposal Thyssen's new continuous broad-strip mill.

(2) A number of mills and engineering works belonging formerly to the Vereinigte Stahlwerke would be reunited. These works would include the Ruhrstahl, Rheinische Union, Witten, Oberkassel, and Rheinisch-Wesphalische steel works. Before the war the Thyssen-dominated Vereinigte Stahlwerke (United Steel Works) controlled more than half of German steel output, but it was broken up by the Allies into at least 14 different concerns.

(3) Germany's large special steel plant, the Edelstahlwerke, would be associated with the Niederrheinische Huette.

(4) The Oberhausen plant would be reunited with the Gutte Hoffnungshuette coal company, from which it was separated by the Allies.

This has not been an overnight development. It has been known for months that there has been a systematic exchange of shares between coal and steel companies and that interlocking directorates are again the order of the day. The huge Krupp combination, which was under an Allied order to dispose of its coal mining interests, managed successfully to postpone execution of the order and will now probably have the pleasure of seeing it permanently forgotton. Thus the old combinations are being revived, though often under a somewhat different name and with somewhat different membership. In the end there will probably be less than a dozen firms in a dominant position.

If the coal and steel concerns find no obstacles to their plans, other German industries will also probably join together into combinations leading naturally to cartels. Flour mills, soap, margarine and other food processing industries may be the next to organize combinations and cartels. The successor banks of the Deutsche Bank and the Dresdner Bank operating in individual states, are already following the same policies and avoiding competition.

As for the great German chemical companies, they too are reported to be dividing the home market and following much the same policies. There are now three chemical companies operating in Germany, each of them a giant—the Badische Anilin & Soda Fabrik, the Farbenfabriken Bayer, and the Farbwerke Hoechst. They are all successors of I. G. Farben, the huge combine which the Allies had hoped to break up into at least 80 different companies, but succeeded in breaking up into only three.

Production of German Automobile Companies

	1949	1953	1954
Volkswagen	46,646	151,649	n.a.
Opel (General Motors)	27,990	83,624	n.a.
Daimler-Benz (Mercedes)	17,170	34,975	n.a.
Ford	11,109	34,021	n.a.
Auto-Union	....	21,855	n.a.
Borgward	1,148	5,332	n.a.
Total	104,054	369,000	475,000
of which for export			187,000

The reader may wonder why the regrouping of German concerns into larger units should be of such special interest. Haven't we, in this country, far larger industrial units? And what about the nationalized industries in France and Great Britain? Aren't the French steel mills really a cartel controlling prices and internal competition? And what about the monopolistic position of such an industrial giant as the British and Dutch Unilever?

The answer is that size alone is not the problem. There is instinctive suspicion of the German steel and chemical mergers because in the prewar years these German companies were among the strongest protagonists of cartelization—the creation of private artificial trade barriers. The role that the Krupp industrial empire played during the First World War and the Thyssen industrial empire during the Second World War in helping to build up the German war potential is still well remembered. Cartel arrangements between American and German optical companies interfered with British and French buying of optical instruments in this country when our national security required close co-operation with both of these nations.

How the Return of Cartels Affects the U. S. Businessman

The great German chemical combine, the I. G. Farben Trust, not only controlled the domestic market but was, just before the war, on the verge of controlling the chemical industry over the whole Continent of Europe. It had cartel agreements even with U. S. firms. In view of the dynamism which the Germans have shown in the last few years in rebuilding their economy and in recapturing their old export markets, it is not at all unlikely that other "tired" countries on the Continent will again submit in due time to German economic leadership. What, then, will prevent the big German trusts and combines now in the process of formation from taking over, or at least controlling, the respective industries in other West European countries?

Whether the German trusts and industrial combines capture control over Continental industries or not, the prospect of cartels returning in Germany spells difficulties for American exports. This is so because cartels are basically nothing but privately imposed trade barriers. It is rather paradoxical for the world to be engaged in talks to lower governmental barriers to international trade at the same time that a different kind of barrier, privately imposed, seems likely to be on the increase rather than otherwise.

How the Cartels Work

To quote from *Cartels in Action,* the great standard work on cartels by Stocking and Watkins, a cartel "is an arrangement among, or on behalf of, producers in the same line of business designed to limit or eliminate competition among them . . . They seek to free producers from the influence of market forces and to subject the market to deliberate, concentrated controls, by and for producers . . . They represent a type of economic planning . . ."

One of the great prewar cartels, that between the German and French producers of potash, divided the world into preserves within which the "outside" party refrained from competing in return for immunity from competition at home. The potash cartel not only interfered with the flow of international trade, but regulated production in both countries so as to avoid overproduction and subsequent depression of prices. Other cartels were known to suppress technological development in order to prevent competition.

"Thus cartels put each industry into a straight jacket," comments a prominent cartel lawyer, "in accordance with preconceived ideas of those who dominate the cartel." The cartel assigns a production quota to each member; it makes or breaks the newcomer who is "passed upon" by the cartel membership. Most important, however, is that cartels tend to protect the weak and inefficient at the expense of the more progressive and efficient producer. This leads to extensive bureaucratic control within the industry and usually to economic stagnation.

The German businessman who for nearly two decades toed the Government line usually does not see much that is wrong in cartel practices. He prefers "orderly marketing" to the "chaos of competition," and until recently he regarded advertising as wasteful. In this attitude the German businessman has the support of the German worker, who sees in the cartel a "socialistic" attempt at the regulation of trade and the maintenance of employment.

On the other hand, the whole idea of cartels is incompatible with the American tradition of free enterprise. Our postwar program in respect to cartels has been concentrated on persuading our European friends and allies that a cartel is a drag on economic progress which must inevitably lead to planning and socialism. Unfortunately we have been only partially successful.

German Anti-Cartel Law

Since the Allies were concerned with breaking up the "undue concentration of economic power" in the hands of German trusts and cartels, they urged the Federal German Republic to draw up a law outlawing cartels, so that voluntary German action might replace the present right of the Allied High Commission to interfere with mergers and other combinations. About a year ago a piece of legislation called a "Bill of Restraint of Competition" was finally produced under the auspices of Dr. Ludwig Erhard, the Minister of Economics and chief protagonist of price competition and free enterprise economy in today's Germany.

The bill as originally framed outlawed cartels except for three varieties: (1) the so-called "Krisen" or emergency cartels, which can be formed at a time of economic recession to avoid ruinous price-cutting; (2) the so-called "rationalization" cartels, which permit one member to specialize in one type of product and another member in another product or model, in order to cut costs, and (3) export cartels, which

may be formed to promote exports of certain goods.

Since it was drawn up, the cartel bill has been protested against vigorously by German industrialists, and has, as a result, been so diluted by various provisions that by now it is scarcely an anti-cartel law at all. No need to say that it has not been passed as yet.

Thus when the right of the occupying Powers expires and Germany becomes fully sovereign, there will be very little to keep German corporations from entering into new combinations and from rebuilding cartels. For a few years the new combinations may enjoy prosperity. But in the long pull, cartelization is bound to interfere with the technological progress and the efficiency of German industry, thus slowing down the great progress made in recent years when no restraints upon competitions existed.

Cartels Elsewhere

Although, from the viewpoint of international competition, German cartels are probably the most restrictive, cartels exist in practically all Western European countries, and, of course, also in Latin America and Japan. Their scope varies widely. Some of them merely regulate prices, others specialize in the division of markets, and still others are confined to the regulation of sales. In some small countries, such as Denmark and Greece, where often one enterprise suffices to meet the needs of the home market, these enterprises enjoy a monopolistic position and dictate prices.

In France, as was already mentioned, the nationalized steel and coal companies operate as one huge cartel. Marketing and price-controlling agreements exist in almost every industry; in the past they were responsible for the stagnation of France's economic development.

In Sweden and Finland, the great paper companies are organized in export cartels. In Belgium the all-powerful coal cartel indirectly influences total national production. In Spain, industrial cartels are abetted and supported by the State. In Italy, internal competition is restrained by all kinds of agreements. The Schuman Plan organization, the Coal and Steel Community of Western Europe, is authorized to operate on cartel lines during the period of market recession to avoid excessive price cutting.

In Japan, the great Zaibatsu combines represented a concentration of economic power potentially even more dangerous than the steel-coal combines in Germany. When they were integrated with banks and insurance companies they were able to eliminate any rival; they regulated sales and prices, and divided overseas markets as well. Under the Allied occupation, about 25 of the biggest companies in Japan were deconcentrated, but by 1952, recombination was in full force. The Zaibatsu are on the way back again, but, as Professor T. A. Bisson points out in his book, "as a group they will not certainly be restored to a position comparable to that once held."

A Difference in Approach

Most West European countries have, since the war, passed legislation prohibiting or regulating any privately-imposed restraints of competition. Nowhere, however, do these laws go as far as our own anti-trust legislation. The Dutch law, for example, while recognizing the value of healthy competition, favors closer collaboration among business firms as long as such collaboration serves public interest. In the Netherlands and elsewhere, cartel agreements insofar as they are permitted, must be deposited with the Ministry of Economics which keeps a so-called Cartel Register. There is usually a permanent commission that examines all cartel agreements to determine whether they are detrimental to public interest.

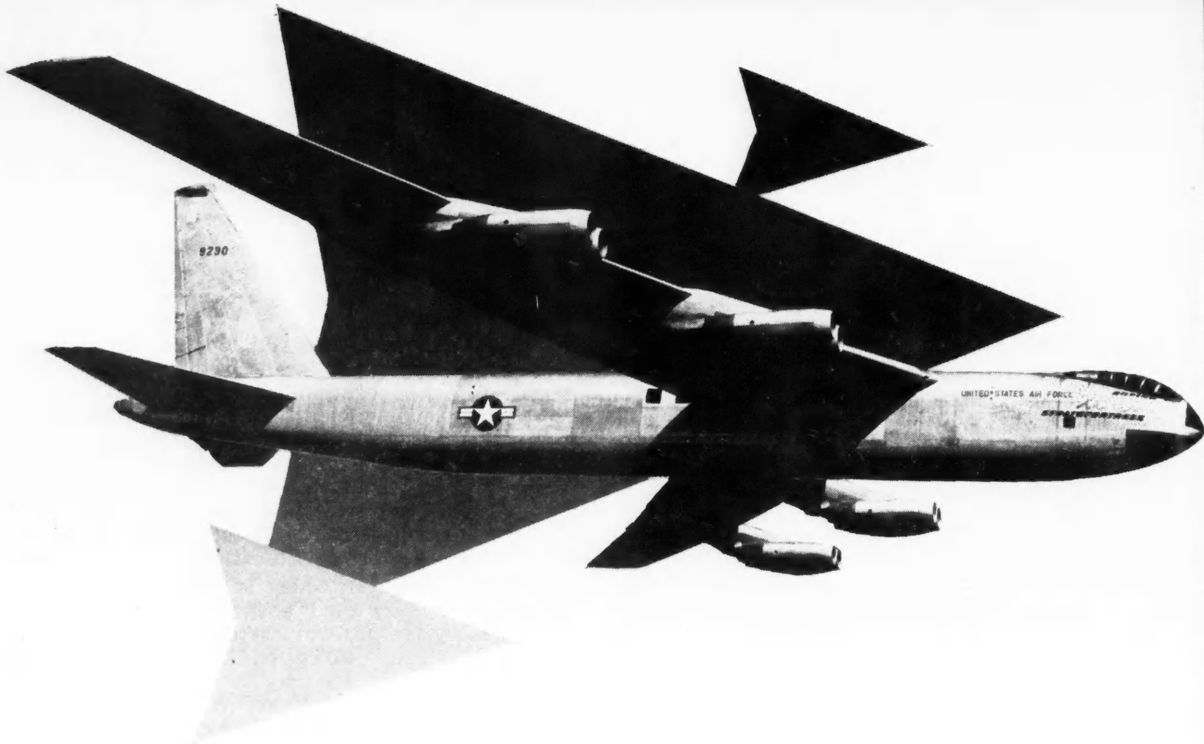
Cartels are unquestionably on the way back, but outside of Germany their power is likely to be circumscribed by the postwar cartel-regulating legislation. With the single exception of France, they have been a minor force in keeping back structural changes and technical developments in individual industries, but a period of test will come with the first serious economic recession.

Thus, while it can be seen that post-war developments have not brought about a great recrudescence in cartels in Europe, this has been due to a combination of fortuitous circumstances, to a large extent. The most important, of course, have been the influence of the United States government and the strengthening of economies through the Marshall Plan. The question is, now, whether the economies have finally reached a position of genuine strength which would enable them to withstand the inevitable pressure of interests who favor the cartel system.

—END

German Steel Companies After Deconcentration

NEW DESIGNATION	Employees	Capital (000,000) DM	Steel Capacity (000,000t)	Former Concern
Rheinisch-Westfaelische Eisen & Stahlwerke, Muelheim	15,300	69.0	1.0	Vereinigte Stahlwerke
Deutsche Edelstahlwerke, Drefeld	8,000	41.4	.2	ditto
Huettenwerke Phoenix, Duisburg, with subsidiary	10,000	115.0	1.9	ditto
Friedrich Thyssen Bergbau	10,000	50.0	....	ditto
Niederrheinische Huette, Duisburg	3,300	41.1	.4	ditto
Stahlwerke Suedwestfalen	5,200	40	....	ditto
Dortmunnd-Hoerder Huetten-Verein, Dortmunnd	20,000	184.0	....	ditto
Gussstahlwerk Bochumer Verein, Bochum	14,300	69.0	1.2	ditto
Ruhrstahl, Hattingen	8,800	34.5	....	ditto
Gussstahlwerk Witten, Witten	4,000	13.8	....	ditto
Huettenwerke Siegerland, Siegen	7,300	46.0	....	ditto
August-Thuesen Huette, Duisburg-Hamborn	5,700	115.0	1.4	ditto
Mannesman, Duesseldorf	23,800	240.0	1.2	Mannesman-Goehrenwerke
Hahnsche Werke, Duisburg-Grossenbaum	2,800	14.0	.4	ditto
Huettenwerk Oberhausen, Oberhausen	13,500	104.0	1.5	Guttehoffnungshuette
Norwestdeutscher Huetten & Bergwerksverein, Duis.	26,600	210.0	1.6	Kloekner-Werke
Hoesch-Kwerke, Dortmunnd	23,000	270.0	1.5	Hoesch
Huetten & Bergwerke Rheinhausen, Rheinhausen	20,100	165	1.8	Fried. Krupp



Can Aircrafts Maintain Boom Earnings?

By W. L. RADFORD

In taking the over-all view of the current position and prospects for the aircraft manufacturing industry, probably the outstanding fact is that this year will mark a period of stabilized operations at a high level. In the past few years, the emphasis was on build-up and development of new models but the Defense Department feels that it has reached a point where the emphasis should be on maintenance of present levels of available military craft and their modernization. Since possibly as much as 85% of total production is for the military, this would seem to indicate that production will not go above current levels and may be, even, cut back slightly in categories in which there is a sufficient supply. The plants, of course, are in a position to speed up production at any time on demand from the Defense Department.

Deliveries of military aircraft in 1954 were about 10,500 planes as compared with 11,500 in 1953; 9,000 in 1952 and 5,000 in 1951. It is anticipated that during the present year, output will be somewhere near 9,700 military planes.

So far as expenditures are concerned, the government spent about \$8.6 million on these planes last year. This compares with \$8.0 million anticipated for the current calendar year. It will be observed that the sums to be expended are not too much lower than in 1954, despite the fact that output in 1955 will be about 8% less than in 1954. This seems to be accounted for by the fact that production is now concentrated on the jet-powered type of plane on an increasing scale and these planes are more expensive than the older type. Additionally, increased production of guided missiles and experimentation have been adding to costs to the government and has been maintaining the over-all sales of the industry.

Outlook for Categories

Since strategic and tactical programs are well under way and projected goals actually within sight during the next two years, emphasis now is rather on increasing defensive air power. For this reason, it may be anticipated that there will be a steady growth in government orders for the interceptor type of plane. In this field, Republic, Lockheed and Northrop are leading components.

Among other specific military aircraft categories, increased interest by the government in tanker-transports has stimulated a good deal of competition among the three leading contenders in this field—Boeing, Douglas and Lockheed.

Supersonic fighters, especially the North American F-100, will increase in production, now that defects have been rectified. Other newer types of planes which have also presented some types of operational

problems will probably receive the green light. An illustration of the problems involving some of the newer planes is typified by the Republic F-84 F which apparently ran into some difficulties last year.

These situations are mentioned as an illustration of the fact that it takes a good deal of time, and trial and effort to perfect the newer planes, as, indeed, it did, in former years, the older planes.

This brings up the question of costs. The problem essentially revolves around the cost of labor. At the early part of 1954, the industry had some 830,000 employed, with about 750,000 presently employed. Including subcontractors and suppliers, however, the total labor force at its peak was probably in the neighborhood of one million.

The largest manufacturers have been concentrating on increasing man-hours per pound of production, which means the greater utilization of automatic machinery and more efficient plant operations. The problem right along has been to secure more stabilized production and this, in turn, has depended on better scheduling, in which the companies are showing great strides and which has been an effective instrument in holding down costs, where, indeed, they have not actually reduced them.

Importance of Stabilized Operations

All this is important from the investment viewpoint for if the industry is to reach a position in the estimation of investors where a greater degree of stability in operations can be looked for in the future than in the past, this will have to be produced by a combination of (1) steady orders from the government, spaced at regular intervals, without sudden interruptions to planned production (2) more stabilized costs, an increasingly important factor where output is stable rather than increasing and (3) a gradual increase in manufacture of commercial planes, which at present accounts for only about 15% of production. Some degree of assurance to maintained operations is more or less guaranteed by the prospect that the Defense Department will require extremely heavy expenditures as long as the threat of war exists. Looking to the longer-range future, however, it is obvious that if the industry is to operate at satisfactory levels, it will have to depend more and more on its commercial plane output.

For this, of course, it depends on the outlook for airline transport, both passenger and freight. Here, the future of jet and turbojet transport commences to dominate the thinking of officials in both the manufacturing end of the industry and in the transportation end. British progress (though Britain has also had its failures in this field) has attracted the notice of American manufacturers who realize that they must compete for the business and devote their energy in the future to the newer types.

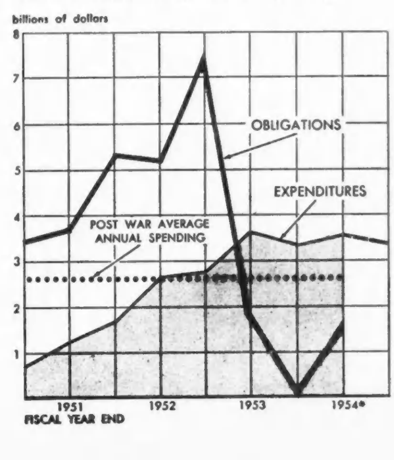
Lower costs of operation of both jet and turbojet planes will virtually force the abandonment of the old propeller-driven types, for long-distance transport. Recently, the chief engineer of Lockheed declared that "a fleet of 172,000-pound turboprop transports could handle a big transportation job at a direct operating cost only 35% of that required by piston-powered planes of the same size. Bigger and faster turboprop cargo lines could do even better." Additional figures which he presented on this subject are interesting. For example, the new C-130 turbocargo plane built by Lockheed for the Air Force could be operated, if adopted to commercial use, for as little as four cents a ton-mile, with indirect costs (ground handling, etc.) at half this figure, or a total of six cents a ton-mile. This compares with somewhere between 16 and 22 cents a ton-mile for ordinary commercial costs. These figures are disputed by officials of other manufacturers who believe the future is rather with the straight jet type of plane. In any case, thinking on this important subject is in flux and, it may be assumed, that before the situation really "jells" the problems of both turbo-jet and straight jet in connection with cargo air transport are solved there will be a considerable time lapse.

Capital Needs

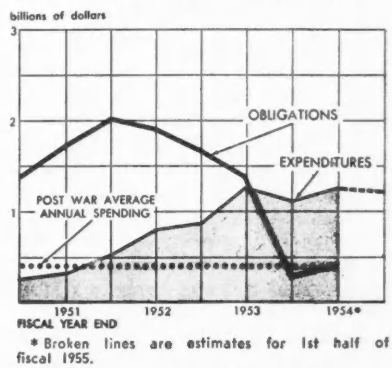
However, regardless of the actual direction of future commercial plane building, capital investment needs for the industry will prove very large in coming years. Further investment in plant and equipment, despite the present enormous facilities, will be necessary in view of the revolutionary developments in the science of aeronautics. This involves the use of additional sums for modernization of plants, for research and for testing equipment.

Thus far, the aircraft manufacturers have either found the necessary cash through their own internal resources or through government-assisted rapid amortization. However, as emergency needs, based on military necessity, lessen, the companies will have to go to the public for additional sums as government support shrinks. In other industries, investment banking facilities have been used for the purpose of expansion but because the industry has been marked in the past by wide swings in earnings, the investment rating of the securities, up to recently, has not been high. In view, however, of the indications for greater stability in the future, it is possible that new funds can be secured through public financing.

USAF—6-Month Obligations & Spending



NAVY—6-Month Obligations & Spending



* Broken lines are estimates for 1st half of fiscal 1955.

While expenditures for army and navy aircraft have trailed slightly, it is expected that the trend will be reversed in the coming year.

Practically all the large manufacturers have intensified their cost-cutting operations and are finding many ways of reducing costs. Douglas, Lockheed, Boeing, General Dynamics, Northrop and North American Aviation have discovered revolutionary innovations in particular jobs. Among significant "cost-cutters" are the following:

1) A giant machine carving out two detailed wing panels simultaneously; formerly, this required 200 individual operations.

2) An electronic "push-button" device that simultaneously cuts, stamps and measures electric wire, reducing five manual operations to one automatic operation.

3) A set of matching molding dies, which turn out plastic parts in one-fifth the time of the previous operation.

As defense orders commence to slacken, though quite moderately, the problem of cost-cutting becomes much more important, as competition is now increasing for business generally. For this reason, the major manufacturers are greatly interested in automatic machinery which, of course, is of great importance to manufacturers of these machines particularly in view of the probability that demand will increase rapidly under the newer conditions faced by the aircraft industry.

The Profit Outlook

Aircraft manufacturers in 1954 had the best profit year in their history. The elimination of the excess profits tax, of course, had an important influence on net earnings. The ratio of net income which in former years held to a figure around 2½% averaged out around 3% for most manufacturers in 1954 but, on the huge volume of deliveries, the difference of a half per cent was extremely important, permitting net for most manufacturers to swell to large proportions The accompanying table gives a convincing picture of the tremendous surge in profits and they are worth studying.

On the basis of the most careful estimate of the prospects for earnings in 1955, it would seem that, unless renegotiation becomes a problem, earnings should hold close to the rate established in the previous year. Everything points in this direction: the still high allotments for military aircraft expenditures, a good rate of production of commercial planes of all types; and lower manufacturing costs. In this connection, it is interesting to note that two hitherto rather restricted fields–utility or private planes, and helicopters–has been forging ahead. The outlook for helicopter industry, in particular, is promising.

With respect to the possibility of restoring renegotiation to a point that might reduce profits, the only fly in the ointment from the investor's standpoint is that with a democratic majority in both House and Senate, there could be a move, inspired by political motives, to tighten up renegotiation charges. This could gain some headway on account of the prominence given to the effects of the lapse of EPT on earnings of the big companies. Obviously, these large earnings make a good target for politicians. As to whether or not, they will be successful in their efforts no one can say.

The companies can point to their need for capital with which to build and re-equip plants and to install new machinery. However, if the political onslaught becomes heavy, it could have the effect of influencing directors to keep from raising dividends as much as they would like. Considerably higher dividends would otherwise be well within their power in view of the enormous margin of earnings.

So far as the suppliers to the industry are concerned, speaking generally, it is necessary to take into account the fact that the large manufacturers have gone a long way toward reducing the work they farm out to subcontractors. There are about 60,000 such firms, quite heavily dependent on the aircraft industry. These cuts are not even, by any means, but they have increased, on balance.

Major Trends

Summarizing the outlook it would appear that the following estimates are realistic, as based on known conditions:

)1 The Air Force will be about 95% modernized, with the latest type planes and equipment; the Navy air arm, about 80%.

2) Total military production will be somewhere between 9700-10,000 units, compared with about 10,500 in 1954.

3) Military output will gradually taper off from the present 900 monthly to 800.

4) Sales will be about $8 billion, compared with $8.6 billion in 1954.

5) Employment (outside of suppliers, etc.) will average about 750,000 compared with an 800,000 average last year.

6) Output of large commercial passenger aircraft may not quite equal the 325 made last year. The industry, however, entered the year with the good backlog of 175 airliners.

7) Profits will approximate those of 1954 but there is the possibility of stiffening renegotiation costs.

8) Dividends could be higher, as based on earnings prospects but may not be raised as much as warranted by the fear of political opposition, with democrats in control of Congress.

The strong upsurge in earnings in 1954 produced a favorable market background for the shares of all the leading companies. They were given an additional push by numerous stock-splits. The following aircraft companies split their shares in 1954: Bell, two-for-one; Boeing, two-for-one; Douglas, two-for-one; Northrop, two-for-one.

The per cent market rise of practically all aircraft manufacturing stocks from the end of 1953 to the end of 1954 is indicated by the following figures:

Bell Air	152.56%
Boeing	207.81%
Douglas	214.19%
Lockheed	94.76%
Gl. Martin	106.50%
No. Am. Avia	145.97%
Republic	92.81%

Of these companies the following paid stock dividends in 1954: Lockheed, 5%; Glenn Martin, 10%; Northrop, 10%; and Republic, 10%.

In view of the exceptionally large advance in the price of aircraft shares in 1954, which was added on to a more modest advance in 1953, some caution should be exercised in new purchases at current levels. In fact, unless investors wish to hold on a very long-term basis, acceptance of enough profits to mark down the original cost could prove advisable. In any event, it does not appear likely that the aircraft stocks can stage an advance from these levels at all comparable to 1954, though fully acknowledging their strong earnings outlook.

In the following, we present comments on three of the leading companies:

Although *Boeing Airplane Co.*, has yet to release operating figures for the calendar year ended last December 31, it is quite obvious that 1954 was a record year for the company in production, sales and earnings. This is indicated by results for the first nine months to September 30, 1954, in which sales increased to $771.5 million, a gain of more than $115.3 million over those for the comparable 1953 period. Net earnings which, of course, are subject to year-end adjustments and final audit, were about double those shown for the first nine months of the previous, reaching $27,199,384, the equivalent of $8.38 a share, as against net earnings in the 1953 period of $13,576,164, or $4.18 a share, giving effect to the two-for-one split in May of last year.

An important feature of Boeing's showing for 1954's first nine months, was the substantial increase in the percentage of net earnings to sales which amounted to 3.53 per cent, as compared with 2.21 per cent and 1.91 per cent for all of 1953 and 1952 respectively. While the increase in earnings can be attributed in part to the expiration of the excess profits tax and to increased sales, continued gains in operating efficiency made no small contribution to the end result. This is evident in the increased production tempo enabling Boeing to turn out the Wichita-built B-47, the 100-ton medium bomber, at the rate of as many as 32 in a single month. The 1,000th B-47 rolled out last October required only 7 per cent of man-hours needed to complete the first production model in March, 1950. In addition, Boeing has experienced a continuation of the favorable cost trends achieved over the past several years on fixed price contracts containing incentive provisions which give the company a share in the savings if actual costs are under target costs.

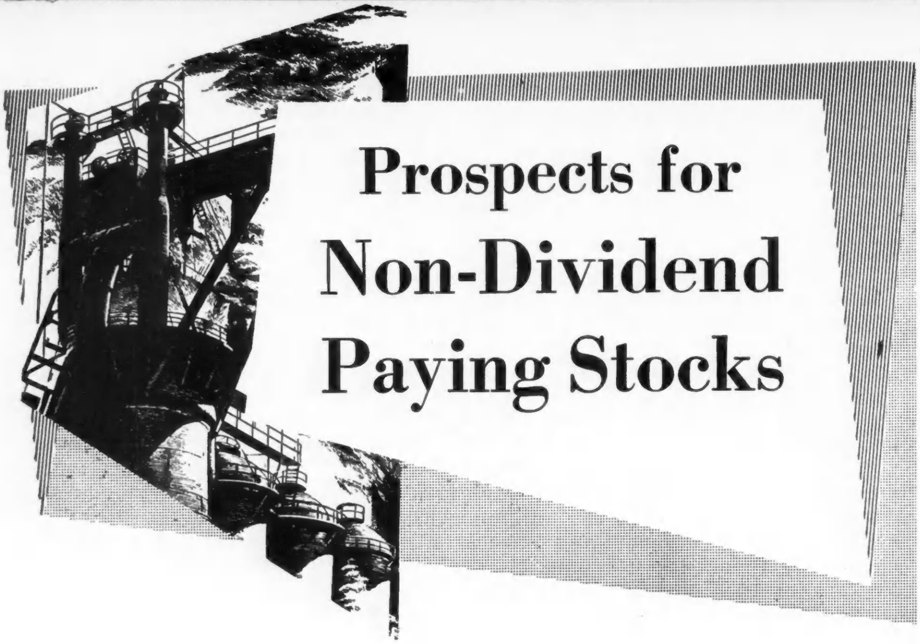
Boeing entered 1954 with an order backlog of $2,357 million. Although it has not revealed the current volume on its books, it is estimated that the company began 1955 operations with a backlog close to the previous year's total. Since the beginning of production of the 350,000-ton Boeing B-52 at both the Seattle and Wichita plants, original Air Force contracts have been increased by $306 million for additional units of these heavy jet bombers, parts and tools. The company also received an Air Force letter contract for the production of an advanced version of the 707 prototype tanker-transport which made its first flight last July 15. This is the tanker-transport the Air Force has designated as the KC-135, the prototype of which was developed by Boeing to fill what it believed to be a definite military need for this type of airplane to refuel jet bombers and fighters. It also felt that this type of ship would likewise meet a commercial need.

All signs point to 1955 being another year of highly satisfactory earnings (*Please turn to page* 553)

Statistical Data on Leading Aircraft Companies

	9 Months				Full Year						
			Net Per Share		Earned Per Share		Div. Per Share				
	Net Sales (Millions)	Backlog (Latest Available) (Millions)	1953	1954	1953	Estimated 1954	1953	1954	Price Range 1954-55	Recent Price	Div. Yield
Beech Aircraft	$ 60.3	$ 80.0	$ 1.73	$ 3.93	(d) $3.87	$ 5.64[1]	$ .75	$ 1.25	26 - 9⅞	24	5.2%
Bell Aircraft	137.3	370.0	1.50	1.94	1.96	2.50	1.00	1.25	25 -20½	23	5.4
Boeing Airplane	771.5	n.a.	4.18	8.38	6.26	11.50	1.75	3.00	75 -38	69	4.3
Cessna Aircraft	20.5[2]	33.5	.70[2]	1.14[2]	1.54	2.98[1]	.50	.75	19 - 6⅞	16	4.6
Curtiss-Wright	348.2	736.0	.95	1.44	1.36	2.00	.60	1.00	18⅝- 7¾	16	6.2
Douglas Aircraft	699.5	1,853.6	5.54	11.46	7.73	15.00	3.25	6.50	130¼-59½	122	5.3
Fairchild Cam. & Inst.	31.8	51.0	1.13	2.58	1.93	3.30	.25[7]	.50	39½-20¼	35	1.4
Fairchild Eng. & Air.	102.5	n.a.	1.50	1.09	1.74	1.60	.80	.80	18¼- 9⅝	15	5.3
General Dynamics	431.0	923.0	4.46	6.17	7.01	9.00	2.25	3.25	82¼-36	76	4.2
Grumman Air. Eng.	155.6	398.5	.....	3.59	3.56	4.50	2.00	2.00	40½-22⅜	39	5.1
Lookheed Aircraft	581.6	1,031.0	4.95	6.39	5.79	8.50	1.62½[7]	2.85[7]	52¼-26	49	5.8
Martin (Glenn L.)	187.1	n.a.	3.45	6.39	6.42	8.40	.....	1.00[7]	37 -16⅝	37	2.7
McDonnell Aircraft	27.5[3]	431.2	1.15[3]	1.61[3]	6.17	5.03[4]	1.00	1.00	32 -19	29	3.4
North Amer. Aviation	493.5	1,174.0	2.33	4.23	3.72	6.46[1]	.75	2.75	52½-20	51	5.3
Northrop Aircraft	73.6[5]	430.0	.36[5]	2.02[5]	2.38	2.63[6]	.50	1.05[7]	38⅝-26⅝	38	2.7
Piper Aircraft	8.1	n.a.	.26	.22	.37	.41[1]	.....	.05	8 - 2	6	8.3
Republic Aviation	225.8	1,000.0	5.02	5.07	6.21	7.00	1.50[7]	2.00[7]	43⅞-22	37	5.4
Rohr Aircraft	20.3[5]	123.8	1.03[5]	.88[5]	1.70	3.90[6]	1.00	1.00[7]	35 -25	27	3.7
Ryan Aeronautical	34.2	50.0	3.42	4.27	3.80	5.25	.50	.50	31½-14⅞	29	1.7
Solar Aircraft	31.5[2]	55.5	1.40[2]	.61[2]	3.04	1.75	1.15	1.10[7]	25¾-15¾	21	5.2
United Aircraft	489.1	1,225.0	4.68	5.52	6.23	7.65	2.75	3.50[8]	79¼-45¼	75	4.6

n.a.—Not available.
(d)—Deficit.
1—Actual; year ended 9/30/54.
2—6 months.
3—3 months ended Sept. 30.
4—Actual; year ended 6/30/54.
5—3 months ended Oct. 31.
6—Actual; year ended 7/31/54.
7—Plus stock.
8—Plus 1 share Chance Vought for each 3 shares held.



Prospects for Non-Dividend Paying Stocks

By WARD GATES

Of the 1500-odd stocks listed on the New York Stock Exchange, approximately 100 pay no dividends. Some have never paid dividends and others have paid them in varying amounts but have suspended payments, for one reason or another, during the past few years. Most of these non-dividend payers fell victim to the downswing in their respective industries in the period 1952-54. Several have suspended cash payments but have made small stock dividend payments in lieu, thereby preserving cash in a period of declining earnings, at the same time maintaining good stockholder relations, which might otherwise have been sacrificed by outright suspension of the dividend.

Because investors holding non-dividend paying issues are concerned not only by their loss of income, quite often for considerable periods, but by the consequent depreciation in the value of their investments at a time when the great body of stocks is rising, as during all of 1954, it is necessary for them to reappraise these holdings from the viewpoint of whether to continue to hold or not. Obviously, retention of non-productive stocks is justified only if there is evidence that a change for the better is in the making for these issues. Otherwise, the investor might as well make up his mind that he has made a mistake and act accordingly.

In order to assist those of our readers who may be holding stocks in the non-dividend paying category and who may be in doubt as to what to do about them, we have undertaken a special survey of the 100 issues on which no cash dividends are being paid. Of these, we have eliminated more than 30, as possessing little or no popular investment interest. The remainder–66 stocks–we have listed in the accompanying table with ratings for each stock, which we believe justified by the particular conditions affecting the respective companies.

The ratings are based entirely on prospects for dividend resumption. Those stocks whose prospects are deemed relatively favorable for resumption or initiation of dividends are designated (A); and those whose prospects are doubtful or unfavorable are marked (B). Those marked (1) are considered to have the best prospects for comparatively early resumption; those marked (2) also have improved dividend prospects, but over a longer term.

Our analysis of dividend prospects in each case is based on the record of the company in recent years and its immediate situation and outlook. Due to the current improvement in business conditions, especial weight has been given to the present and prospective factors which can determine dividend policy by the companies concerned. In all cases, the financial position of the company has been given due consideration.

In the following, we present brief comments on several of the stocks which are considered not only to have the most favorable prospects for restoration of dividend among those listed but whose market position should improve over the longer term.

DEEP ROCK OIL CORP.: The passing of the dividend on this stock in November was compensated for, in part, by declaration of a 3% stock dividend and an offer to exchange the shares of this company on an equal basis with those of the General American Oil Co. of Texas, which has purchased virtually all the physical properties of the former. Since General American pays a 15-cent dividend quarterly, plus an annual 5% stock dividend, stockholders of Deep Rock, of course, will now be receiving a dividend. With approximately $22 million received from the sale of its properties, Deep Rock has acquired concessions in Cuba on 5.2 million acres on which it is actively engaging in exploration for oil. This is considered to hold substantial promise. Prospects for revenues from these sources must be considered of a long-range variety but, according to qualified judges, are well above average. In view of the exchange of stock, affording new dividend income, and the interesting long-range prospects for the company, the stock may be held as a speculative commitment.

ELECTRIC AUTO-LITE CO. While the common cash dividend was suspended several months ago, continuity of payments was afforded through declaration of a 2% stock dividend. The company, of course, was affected last year by the drop in Chrysler business which forms a large part of the total turnover. However, the strong upsurge in Chrysler production indicates a sharp reversal in the former downtrend of Electric Autolite operations and a quick recovery in earnings is looked for. In view of the strong working capital position of the company and its 20-year dividend record, it would seem logical to expect early (*Please turn to page* 538)

Statistics on Non-Dividend Paying Common Stocks

	Date of Last Dividend Payment (1946-54)	Amount of Last Quarterly Payment	Maximum* Annual Amount Paid 1946-54	Year of Maximum Payment (Post-War Period)	Net Per Share 1952	Net Per Share 1953	Net Per Share 1954 (9 Months)	Price Range 1953-54 (Fractions Omitted)	Recent Price	Rating
Alleghany Corporation					$ .01	$ 1.25	(d) $.10	8- 3	8	B
American Export Lines	6/15/54	$ .37½	$ 2.50	1950	3.20	2.99	(d) .14	17-11	15	A^2
Armour & Co.	7/15/48	.30	.90	1948	1.00	1.81	(d) .46	14- 8	14	B
Austin, Nichols & Co.	11/1/53	.10	.50	1951-52	.65	.66	(d) .09[1]	14- 4	13	B
Bigelow-Sanford Carpet	3/1/52	.25	3.00	1950	(d) 1.44	3.23	(d) 1.01	16- 9	14	A
Bohn Aluminum & Brass	6/15/54	.35	1.66	1946	1.66	3.02	(d) .01	24-16	20	A^2
Butte Copper & Zinc	6/24/54	.25	1.25	1951	.83	1.25	.05	12- 5	9	B
Byers (A. M.)	5/1/54	.25	2.25	1951	2.38	3.65	(d) 3.22[7]	27-15	24	B
Case, J. I., Co.	4/1/54	.25	3.76	1950	2.83	.06	(d) .69	25-13	19	B
Central R.R. of N. J. "A" & "B"					3.56	2.66	(d) .73	28-14	25	B
Checker Cab Mfg. Corp.					(d) 1.15	1.36	.77	7- 4	7	B
Chicago, Ind. & Louisville Ry. "B"					1.04	1.19	.20	12- 5	12	B
Chicago & North Western Ry.	12/27/50	1.50	2.00	1948	(d) 1.96	(d) 1.91	(d) .99	21-10	16	B
Collins & Aikman	12/1/53	.40	1.50	1947	1.95	(d) 2.17	(d) 1.87[1]	24-12	19	B
Consol. Retail Stores	4/1/54	.10	2.40	1947	.63	.42	(d) .19	10- 5	10	B
Consolidated Textile	1/18/54	.10	1.75	1951	.47	.95	(d) .37[9]	10- 7	9	B
Cudahy Packing	4/15/49	.15	.81	1947	(d) 5.02	.06	(d) 4.94[10]	8- 4	7	B
Davega Stores	7/1/53	.15	1.89	1950	.24	(d) .88	(d) 1.01[1]	8- 4	5	B
Deep Rock Oil	6/25/54	[2]	2.00	1948-53	2.01	3.56	4.86	55-34	48	A^1
Detroit Steel Corp.	12/30/53	[3]	1.50	1948	1.80	2.16	(d) .31	16- 8	13	B
Diamond T Motor Car	6/25/54	.25	1.50	1948	2.46	2.07	(d) .63	16- 9	14	B
Electric Auto-Lite	10/15/54	[3]	3.56	1950	6.55	6.73	.08	57-33	39	A^1
Fedders-Quigan	8/20/54	[3]	1.08	1951	.75	1.20	.61[9]	18-10	12	A^2
Florence Stove	1/9/53	.25	2.25	1947-48	2.46	(d) .41	(d) .74	24-16	22	B
Francisco Sugar	10/1/52	1.25	2.50	1950	2.10	(d) 1.07	n.a.	13- 6	8	B
Gabriel Co.	6/15/54	.15	.63	1946	(d) .04	.35	.13	7- 4	5	B
Gar Wood Industries	1946	n.a.	.10	1946	1.42	.23	(d) .50	7- 3	6	B
Gotham Hosiery	11/1/51	.25	2.10	1948	(d) 1.17	(d) 1.53	(d) 1.84	9- 4	6	B
Grayson-Robinson Stores	10/30/53	.25	.90	1950-52	.68	.70	(d) .20[11]	16- 7	9	A^2
Houdaille-Hershey	9/16/54	.30	1.50	1953	2.22	3.27	1.04	17-12	14	A^2
International Hydro-Elec. Sys. "A"					1.81	1.61	.62	38-21	36	B
Lehigh Coal & Navigation	12/9/52	.35	1.00	1946-48	.91	.21	(d) .86	12- 7	11	B
Mack Trucks	1/15/54	[4]	2.75	1947	.70	1.63	.39	23-10	20	B

***—Prior to passing dividend; adjusted for stock dividends and stock splits.**
(d)—Deficit.
n.a.—Not available.

[1]—6 months.
[2]—3% stock.
[3]—2% stock.
[4]—5% stock.
[5]—Paid 780% stock div.
[6]—10% stock.
[7]—Year ended 9/30/54.
[8]—Year ended 6/30/54.
[9]—Year ended 8/31/54.
[10]—Year ended 10/30/54.
[11]—3 months ended 10/31/54.

RATING: A^1—Best prospects for resumption of dividends.
A^2—Also with improved dividend prospects but over longer period.
B—No early prospect for dividend payment.

Statistics on Non-Dividend Paying Common Stocks (Continued)

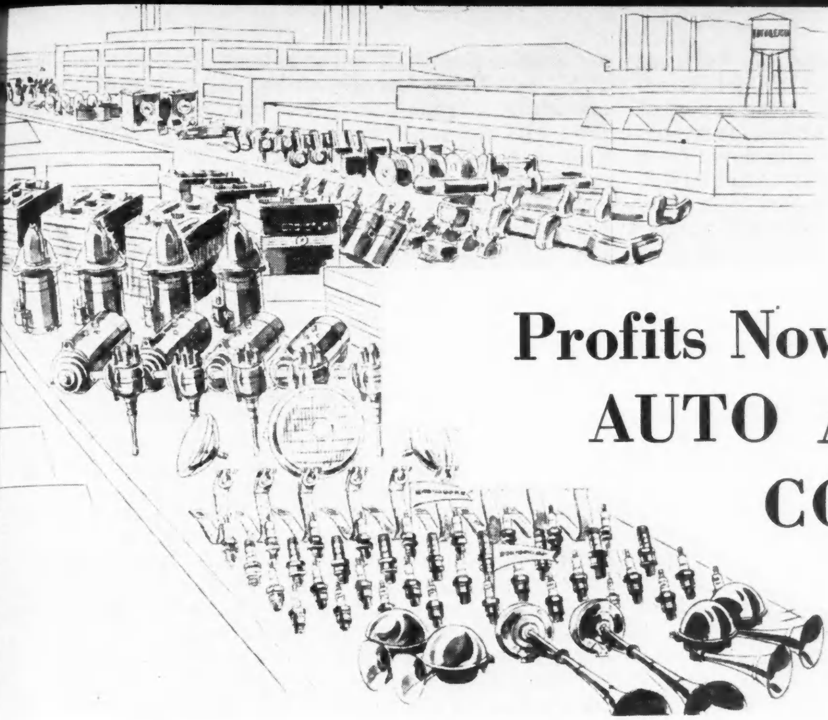
	Date of Last Dividend Payment (1946-54)	Amount of Last Quarterly Payment	Maximum* Annual Amount Paid 1946-54	Year of Maximum Payment (Post-War Period)	Net Per Share 1952	Net Per Share 1953	Net Per Share 1954 (9 Months)	Price Range 1953-54 (Fractions Omitted)	Recent Price	Rating
Magic Chef	6/1/53	$ .15	$ 1.45	1947	$ 1.26	(d) $.20	(d) $2.11	9- 5	8	B
Manati Sugar	9/29/52	.60	1.50	1947	1.37	(d) 1.31	.07[8]	8- 3	5	B
Minneapolis-Moline	8/15/53	.40	1.60	1951-52	4.31	1.71	(d) 1.17	19- 8	13	B
Mission Development Co.	6/12/54	.25	1.00	1951-53	1.05	1.05	.22	23-15	22	B
Missouri-Kan.-Texas R.R.	......	......	......	......	3.56	2.07	(d) .85	10- 4	9	B
Motor Products	5/18/54	.25	2.75	1951	6.11	6.62	(d) 2.41[8]	34-16	22	B
National Can	3/31/52	.12½	.50	1957	(d) 1.28	1.41	.58	17-10	16	B
National Malleable & S. C.	9/10/54	.25	4.00	1951	5.19	4.74	(d) .01	37-19	25	B
N. Y., New Haven & Hart. R.R.	......	......	......	......	3.83	3.09	.58	34-19	34	A[2]
Northwest Airlines	1946	n.a.	.50	1946	1.64	1.84	1.57	19- 7	19	A[1]
Park & Tilford Distillers[12]	1/5/53	.37½	3.00	1946-52	1.29	.34	(d) 3.49	40-21	40	....
Peabody Coal Co.	6/1/52	• .15	.90	1948	(d) .003	(d) 1.62	(d) .24[1]	6- 2	5	B
Pfeiffer Brewing	6/25/54	.30	2.00	1951	2.06	1.65	.43	19- 9	10	B
Phila. & Reading Coal & Iron	7/1/53	.25	2.50	1949	2.01	.07	(d) 1.18	18- 7	13	B
Republic Pictures	......	......	......	......	.20	.15	.26	7- 3	6	B
Reynolds Spring	3/15/52	.15	.90	1951	(d) 1.06	(d) 1.74	(d) .72[7]	26- 4	24	B
Seiberling Rubber	9/28/54	.10	1.00	1951-53	1.48	2.11	.19	12- 7	8	B
Servel	12/1/52	.50	1.00	1948	.85	(d) 1.24	(d) .52	14- 6	8	B
Smith, Alex. Inc.	12/10/51	.30	3.20	1948	(d) 4.16	(d) 3.73	(d) 2.33	17- 6	13	B
Sparks-Withington	10/1/53	.15	.30	1948, 51, 53	.55	1.03	(d) .36[8]	7- 4	6	B
Spiegel, Inc.	6/14/52	.15	.90	1951	.83	.53	(d) 1.42	11- 5	10	A[2]
Standard Railway Equip.	6/1/54	.25	2.00	1947	1.50	1.39	.14	13- 7	9	B
Texas Instruments	5/30/53	......[5]	......[5]	1953	.39	.43	.27	14- 5	13	A[2]
Trans World Airlines	1/15/53	......[6]	......[6]	1953	2.30	1.52	2.71	29-12	28	A[2]
Virginia-Carolina Chemical	......	......	......	......	4.81	5.12	4.26[8]	48-16	44	B
Walworth Co.	12/21/53	.15	.90	1951	1.21	.82	(d) .17	9- 5	8	B
Warren Foundry & Pipe	......	......	......	......	1.63	2.85	.50[1]	43-23	43	B
West Virginia Coal & Coke	3/15/54	.15	1.80	1949	1.36	1.11	(d) .14	30- 9	25	B
Western Maryland Ry.	......	......	......	......	8.00	11.61	5.08	34-20	34	A[1]
White Sewing Machine	8/1/53	.25	2.62½	1950	.73	.08	(d) .95	12- 4	9	B
Wilson & Co.	6/1/52	.25	2.00	1948	(d) .78	.98	n.a.	11- 7	11	B
Wilson-Jones Co.	1/14/54	.25	1.57	1947	.46	.18	(d) .08	13- 8	11	B
Wyandotte Worsted Co.	11/30/53	.10	1.70	1948	1.55	.46	(d) .04	11- 6	10	B

*—Prior to passing dividend; adjusted for stock dividends and stock splits.
(d)—Deficit.
n.a.—Not available.

1—6 months.
2—3% stock.
3—2% stock.
4—5% stock.
5—Paid 780% stock div.
6—10% stock.

7—Year ended 9/30/54.
8—Year ended 6/30/54.
9—Year ended 8/31/54.
10—Year ended 10/30/54.
11—3 months ended 10/31/54.
12—Acquired by Schenley.

RATING: A[1]—Best prospects for resumption of dividends.
A[2]—Also with improved dividend prospects but over longer period.
B—No early prospect for dividend payment.



Profits Now In Store for AUTO ACCESSORY COMPANIES?

By HENRY NILES

It is generally recognized that for most of the automobile parts and accessories companies, 1954 was a comparatively poor year. When annual reports are out this will be shown to be particularly true of those companies in the group that haven't progressed very far in diversifying into other fields and which continue to be dependent on orders from the passenger car and truck builders.

Business from these sources, for some of makers of parts and accessories, dried up almost completely, especially in the third quarter when the three leading car manufacturers shut down for varying lengths of time for vacations, inventory-taking, and model changeover preparations. Among the so-called independent car builders, the Packard division of the new Studebaker-Packard Corp., didn't get into production until mid-November. The Studebaker end of the business, while getting its assembly lines moving several weeks earlier, and later putting operations at its South Bend and Los Angeles plants on overtime schedules, closed down the South Bend plant on December 10 for almost three weeks, before resuming activity there on December 29.

What happened in the automobile industry last year and the effect on the parts and accessories suppliers is in the past. Even before 1954 came to a close, there was a feeling on the part of suppliers to the automotive industry that 1955 was going to be a better year. Siring greater confidence was the sharp rise in factory automobile sales in November, coupled with predictions that the car builders' 1955 factory sales would run as high as 5.8 million vehicles. This would compare with 1954 volume of approximately 5.5 million passenger cars ranking slightly ahead of 1953, and making it the third best year in the industry's history.

So far as the parts and accessories suppliers are concerned, the situation is anomalous. According to the foregoing 1954 figures, the automobile year just closed was one of the biggest, being surpassed only by 1953 when factory sales reached 5.3 million units and the all-time peak recorded in 1950 when sales amounted to slightly more than 6.6 million cars. And yet, the 1954 dollar volume of sales of parts and accessories were off by about 14.5 per cent, or from something like $1.89 billion for 1953 to about $1.65 billion wholesale value, last year. A contributing cause to this drop was the decline in sales of motor trucks and buses, preliminary figures putting truck and bus sales at 1,038,000 units as compared with 1953 volume totaling 1,206,266 units.

Effect on Industry by Changed Status of Independents

This, however, is not the full explanation for the relatively disappointing results experienced by many of the parts and accessories makers in 1954. Some of these companies were materially affected by the failure of Chrysler to maintain sales at anything like its 1953 volume. The sharp drop recorded by Nash, Hudson, Studebaker and Packard also hurt and more business was lost because of the severe contraction in Willys and Kaiser activities. All these companies have always been important customers of the parts and accessories makers in the years when the surge of new car buying following the end of the war created a market in which the so-called independents of the automobile industry were able to move cars from the assembly lines through dealer organizations to customers almost as fast as they could be produced. This situation changed radically in 1954. Ford and General Motors, the more completely integrated car and truck builders, captured about 83 per cent of the new car market in that year. Chrysler, which did a business amounting to about 21 per cent of the industry's 1953 total, accounted for only approximately 13 per cent of last year's sales while the remaining 4.2 per cent went to Studebaker, Nash, Packard and the others.

What effect this drop in car production by these car builders, other than Ford and GM had, is reflected in the nine months to Sept. 30, 1954, report of *Electric Auto-Lite Co.*, showing a 39.3 per cent drop in revenues. The decline carried net sales down from $221.3 million for the corresponding months of 1953, to $134.3 million, with net earnings falling from $5.15 a share to eight cents a share. The 1954 third quarter operating results reflecting drastic curtailment of production throughout the entire auto industry, were especially discouraging, the net loss for that period amounting to $655,302. This was equal to a deficit of 41 cents a share and contrasted with a profit of $2.5 million, the equivalent of $1.58 a share net earnings in the 1953 third quarter.

The resurgence in production by the automobile companies using Auto-Lite products in the final 1954 quarter, however, should have a marked effect upon the company's net profits, pulling 1954 earnings well above the poor showing in the first nine months of that year. Although Ford is understood to be increasing the amount of business it is doing with Electric Auto-Lite, Chrysler continues to be its biggest customer. For that reason, Chrysler's return to somewhere near its former high place in car sales in the current year, if this should be accomplished, would have a decidedly favorable bearing on Auto-Lite's 1955 sales and earnings.

Chrysler, during the final two months of '54 got off to a good start toward reaching its objective of 20 per cent of the 1955 car market, and is increasing its production schedules for the first quarter of the current year. Meanwhile, Auto-Lite, in anticipation of some keen competition in the market for some of its products, has already moved to strengthen its competitive position among manufacturers of automobile electrical equipment. A major step that was taken last October when it refunded $20.3 million in outstanding obligations to the Equitable Life Assurance Society, and increased its loan to $35 million, of which $14.6 million represented new money. This latter sum will be used for modernization; increased mechanization, and other corporate purposes, including the addition to working capital which as of last Sept. 30, stood at $68.8 million. (Dividend prospects for this company are separately discussed on page 512.)

Suppliers to GM and Ford

The encouragement prevailing among the parts and accessories makers is shared to a considerable extent by those companies supplying Ford and GM, as well as Chrysler and the car manufacturers outside the "big three." *Eaton Manufacturing Co.*, a strong and well integrated producer of diversified original equipment for the automotive industry, while adversely affected by the reduction in auto and truck output, especially in the third quarter of last year, was able to show net earnings for the first nine months equal to $3.52 a share. This compared with $4.34 a share in the corresponding period of the previous year. Net sales of $124 million for the first nine months of 1954 were off by approximately 20.5 per cent from $156.3 million for the like 1953 months while pre-tax earnings fell to $13.1 million from $15.4 million. The demise of EPT, however, provided a cushioning effect for net profit which for the 1954 period under comparison amounted to $6,315,421, compared with $7,771,013 a year earlier. With the automotive industry getting back into production stride last November, Eaton has stepped up its own operating schedules and, it is estimated, wound up 1954 with net earnings around $5 a share, providing a comfortable margin over annual dividend requirements of $3 a share.

Eaton entered 1955 in a good position to benefit from sustained production in the automotive industry, particularly the "big 3." Further improvement in net earnings from the increased capacity for the manufacture of hydraulic pumps for power steering and the fuller realization of the potentials of its magnetic clutch for transmissions developed by its Research Department is anticipated. Currently, Eaton shares are selling within a fraction of their 1954 high of 52⅛ and should be retained for the satisfactory 5.7 per cent yield on the $3 annual dividend rate and for the possibility of further price appreciation.

Eaton Manufacturing, however, is not alone in facing more favorable conditions this year than were experienced in 1954. *The Clevite Corp.*, which has grown considerably in the postwar years through internal development and acquisitions should benefit from 1955 operations of the automobile and truck manufacturers. Clevite, in the first nine months of last year, suffered a 14.5 per cent drop in net sales from the like 1953 period, or from $53.6 million to $45.8 million, and a decline in net for the common stock to 99 cents a share from $1.42. Net for all of last year is not likely to go very much above this latter figure, but at that will be more than enough to cover annual dividend requirements of $1.15 a share, paid 25 cents a share quarterly, and augmented by a year-end extra of 15 cents. While sales to the automotive industry continue to be of importance to Clevite, it has lessened its former dependence on this class of business, developing a market for parts for aircraft engines, diesel engines, farm equipment, appliances and electronic devices. Aircraft volume over the next few years should be fairly well sustained and the newer activities in electronic production and research in that field may prove a source of material earnings. On a ratio of market price—currently around 24—times present earnings, Clevite appears to be generously priced but is worth holding for its longer-term potentials through growth in electronics.

Trend in Parts Manufacturing by "Big Three"

In this connection, there are few companies in the parts and accessories business wholly dependent on the automotive industry that can be regarded as having growth possibilities. A major deterrent has been and is the tendency of the principal car manufacturers to produce an increasingly larger amount of original and replacement equipment through their own facilities while competition for what business is available increases among the outside suppliers, to the detriment of their profit margins. Aptly illustrating this trend, is Chrysler's purchase of the body-making division of the *Briggs Manufacturing Co.*, and the withdrawal of the latter from the field to concentrate on the production of plumbing fixtures. Chrysler also is now making power steering units developed by its own engineers, thus eliminating its former supplier as a source for these units.

This swing toward greater integration by the big automobile manufacturers is motivated by factors other than production of parts at less cost than they can be purchased from outside manufacturers. The

automobile companies probably feel more secure by having direct control of operations with less chance of work stoppages due to strikes in suppliers' plants, and at the same time, put themselves in a position to directly benefit from sales in the replacement market. Recognition of this trend has caused some of the parts suppliers to make themselves less dependent upon the automotive industry by shifting into other markets. *Murray Corp. of America* began this shift almost nine years ago, culminating during its fiscal year ended August 31, 1954, in terminating all contracts of its automobile body division, leaving it with only its chassis frame division as its principal connection with the automotive industry. Diversification has brought Murray into the home appliance field, and through its Eljer Division, it is the third largest plumbingware producer in the country. Its Cleveland Triplex Screw Division manufactures fasteners for industrial uses, and under a long-term contract with Brunswick-Balke-Collender Co., its Pinsetter Division will manufacture fully automatic pinsetting machines to be sold by Brunswick both here and abroad.

Murray ended its fiscal year last August with net sales of $112.7 million, the third highest in its history, and net earnings equal to $5.59 a share for its common stock compared with $3.90 a share in the previous year and $3.87 in the 12 months to August 31, 1952. Of equal importance to the good 1954 fiscal year's earnings was the company's retiring of its outstanding indebtedness consisting of bank loans and long-term notes totaling in excess of $15.5 million while dividends on the common stock were continued at the annual rate of $2 a share, making the fourteenth consecutive year in which cash dividends have been maintained.

More Diversification

Clark Equipment Co., while still an important supplier of axles, housings, transmissions and drives for trucks, busses and tractors, numbering among its customers General Motors and International Harvester, has grown to such an extent in recent years as a manufacturer of materials-handling equipment that it now accounts for almost 50% of the domestic output of these machines. Further diversification was achieved when in 1953 it acquired the Ross Carrier Corp., and its line of earth-moving equipment, including power shovels, cranes and a new type tractor shovel developed by Clark, and designed for bulk handling applications. Deliveries of this new product to customers began only last May. Although gross sales for the first nine months of 1954 were off 17% from the corresponding 1953 period, largely due to reduced buying of material-handling equipment by the military, net earnings, aided by the elimination of EPT, increased from $3.55 a share for the first nine months of 1953, to $3.65 a share for the first nine months of 1954, with indications that net for all of last year came close to or possibly went ahead of the $4.55 a share reported for all of 1953. The long-range growth potentials of the *(Please turn to page 536)*

Statistical Data on Leading Automobile Parts and Accessories Companies

	1952 Net Per Share	1952 Div. Per Share	1953 Net Per Share	1953 Div. Per Share	1954 9 Months Net Per Share	1954 Indicated Full Year Div.	Price Range 1953-54	Recent Price	Div. Yield
Bendix Aviation	$ 7.22	$ 3.75	$ 8.20	$ 3.00	$ 7.89	$ 4.00[5]	102½-50	100	4.0%
Borg-Warner	3.11[1]	1.66[1]	3.25[1]	1.66[1]	1.89[1]	1.66[1]	39 -21½[1]	38[1]	4.3 [1]
Bower Roller Bearing	2.99	2.00	3.06	2.00	2.06	2.00	33 -25	32	6.2
Campbell, Wyant & Cannon	4.07	2.00	3.64	2.00	1.02	2.00	28¾-20¼	26	7.6
Clark Equipment	5.46	2.33	4.55	3.00	3.65	3.00	57¼-31	56	5.3
Eaton Mfg.	5.27	3.00	5.41	3.00	3.53	3.00	52⅛-36¼	51	5.8
Electric Auto-Lite	6.55	3.00	6.73	3.00[5]	.08	1.50[5]	57 -33	39	3.8
Electric Storage Battery	2.48	2.00	1.87	2.00	(d) .88	2.00	37¾-23	28	7.1
Houdaille-Hershey	2.22	1.25	3.27	1.50	1.04	.90	17 -12	14	....
Kelsey Hayes Wheel	3.63	1.50	4.08	1.50	4.48	1.62½	31⅜-13⅝	29	5.5
King-Seeley Corp.	3.92	2.00	3.94	2.00	.74[2]	2.00	34 -22½	31	6.4
Midland Steel Products	7.19	4.00	4.61	3.00	1.56	3.00	46⅝-29½	39	7.6
Motor Products	6.62	2.00	(d) 2.41	2.00	(d) 1.53[3]	.50	34⅜-16¼	22	....
Motor Wheel	3.07	2.00	3.52	2.00	1.51	2.00	28¼-2 ⅛	27	7.3
Murray Corp. of Amer.	3.87	2.00	3.90	2.00	5.59[4]	2.00	30¾-16½	30	6.6
Rockwell Spring & Axle	....	....	3.12	.50	1.72	2.00	24⅞-18¼	24	8.3
Stewart Warner	3.30	1.75	3.04	1.80	1.36	1.95	26⅞-16¾	26	7.5
Thompson Products	3.42	1.00	3.56	1.00[5]	3.24	1.10	52½-20⅝	52	2.1
Young Spring & Wire	4.81	2.50	3.32	2.00	(d) .91[2]	2.00	34½-20	26	7.6

(d)—Deficit.
[1]—Based on new stock after 3 for 1 split.
[2]—3 months ended 10/31/54.
[3]—3 months ended 9/30/54.
[4]—Year ended 8/31/54.
[5]—Plus stock.

Finance Companies Reach New Investment Status

By ARTHUR H. FERGUSON

Nothing more complex or dynamic than a simple I. O. U. formula gave impetus to the vigorous industrial expansion of the 1920's and the boom of recent years. Actually vast purchases of consumer goods, on which prosperity in the two instances was founded, were made possible by dependence on credit. Success of the idea initiated little more than a quarter of a century ago whereby an individual may pay for an automobile or a household appliance while enjoying the use of it undoubtedly represented one of the major forces behind this country's phenomenal industrial expansion.

A "pay-as-you-use" plan such as made possible by installment finance companies depends for its success largely on an industrial economy in which customers have an assured income. Thus industrial growth and consumer finance are interdependent. Since industrial production has expanded tremendously since the first World War it is not surprising that companies engaged in providing credit have fared well. Stocks representing this activity have grown steadily in favor as investors have become increasingly familiar with their operations.

Two Kinds of Credit Companies

Credit companies are divided into two principal categories—those which specialize in financing purchases of consumer goods and those which provide personal loans to meet emergencies. In the first instance, obligations are secured by collateral, such as a motor car or appliance; in personal loans, no collateral is pledged as a rule.

The extent to which many manufacturing industries depend for volume sales on installment credit is well illustrated by a few figures. Consumer installment credit extended by finance companies had expanded to about \$6.200 million a few months ago, and of this amount about 87 per cent represented obligations of retail motor car buyers. Federal Reserve Board tabulations for the 1954 year-end are expected to disclose a rise in borrowings to finance consumer goods purchases to almost \$6,500 million, or about four times the 1940 volume and more than double the total five years ago.

To appraise stocks of consumer credit companies it is important to know something of the nature of the business. Probably many investors are familiar with procedures customarily followed by principal installment companies. Motor car purchases naturally are more costly on a time basis than when cash is paid. The installment financing method is costly because it entails considerable service in credit investigation and in collections. Moreover, insurance is required by the credit company to afford protection for the collateral insuring repayment. Altogether, therefore, interest on the unpaid balance together with fees for insurance, etc., adds substantially to cost of a car.

Competition from Banks

Competition from banks has contributed a stabilizing factor which tends to hold down financing costs so far as the consumer is concerned. The plan is popular despite higher costs, however, because it enables the purchaser to obtain a new car when he needs it—not after he has saved enough to put down all cash for the vehicle. Moreover, the arrangement forces the individual to save regular amounts monthly that otherwise he might not train himself to do. Ordinarily, fees charged for credit afford an adequate profit margin for services involved.

Finance companies borrow from banks, insurance companies and other institutional investors to obtain funds made available for consumers. Accordingly, the cost of money borrowed and the volume of loans financed go far toward determining profit margins. A large volume of business is important, for overhead expenses are increased only slightly as borrowings of consumers rise. Abundance of funds at low rates contributes to favorable earnings. Most finance companies do not take into account profits on installment

contracts until collections are effected. Thus earnings may show up favorably after incoming business has begun to decline. This trend became evident early in 1954 as new contracts declined moderately while earnings improved in reflecting repayments on 1952 and 1953 contracts.

Prospects are promising for leading installment credit companies because indications point to a good period ahead for motor car manufacturers. Ordinarily, use of installment credit follows the trend of disposable income, but economic disturbances sometimes cause interruptions—as was the case during World War II when production of automobiles and many appliances was curbed. Federal restrictions on use of credit have been imposed at times. With funds available in abundance and with employment rising, the current outlook is reassuring. New credit contracts should rise to a new high record in 1955, especially since the ratio of purchases on time is rising.

Immediately after the war when motor cars were difficult to obtain and cash buyers had an advantage, only about 30 per cent of new car purchases were financed on time and less than 40 per cent of used car sales required credit arrangements. The ratios have been rising steadily, however, and on the basis of recent estimates, it seems that scarcely less than 90 per cent of new car purchases are made through recourse to loans; in other words, only about 10 per cent of transactions are settled on a cash basis. Because sums involved on used cars are smaller, the ratio of cash transactions is higher, ranging to about 40 per cent. As a matter of fact, many finance companies are reluctant to handle used car deals.

Although bank competition has become increasingly evident in recent years, finance companies have strengthened their position in the automotive industry by more effective relationships with wholesalers and dealers. On the other hand, commercial banks have dominated installment credit financing of other types of consumer goods.

Finance companies have taken steps to widen their margins through affiliations with insurance companies which provide coverage for motor car buyers. Some companies also have set up life insurance units which offer protection on installment terms. This activity has become increasingly popular in some areas and promises to contribute substantially to earning power of finance companies.

Personal Loan Companies

Before examining representative companies in detail, it seems desirable to comment briefly on operations of personal loan companies, which have made significant headway in recent years. The handicap of prejudice so evident a generation ago has virtually disappeared. Personal loan companies no longer are classified as loan sharks and they have risen above the status of pawn brokers. Rates to borrowers are regarded as high in terms of the cost of money, but operating costs also are substantial. Most individuals resorting to loans in this way could not obtain necessary funds in any other manner and are glad to pay the established fee for the convenience.

Personal loan companies are regulated by state laws governing amounts that may be advanced to individuals and rates that may be charged. Maximum charges in most states range between 2 and 3½ per cent monthly on unpaid balances. Loans up to $500 in some areas and up to $1,000 in others are authorized. Contrary to widespread belief, small loan companies develop more business in good times than in recessions. The largest percentage of contracts in this field originates to solve financial emergencies in the home. Many individuals turn to personal loans to satisfy other creditors, that is, to consolidate debts—perhaps after returning to work following a serious illness.

The average borrower is more inclined to depend on loans of this type when he feels confident of paying off his debt. Favorable economic conditions, therefore, provide a reassuring environment for consumer financing of this type. Inasmuch as representative companies in the business are aggressively promoting consumer loans and prejudices against borrowing are

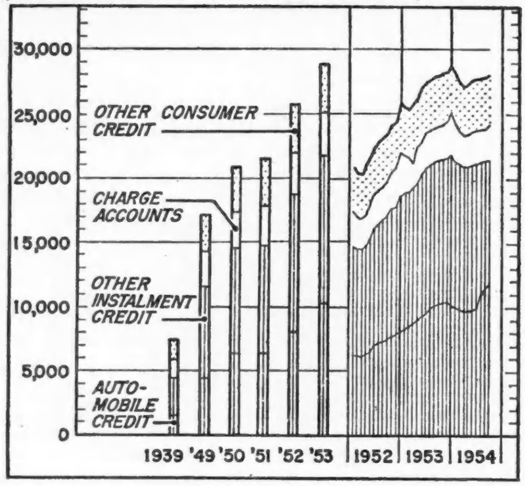
Statistical Data on Leading Finance Companies

	9 Months 1954			1953							
	Volume of Receivables (Millions)	Net Income (Millions)	Net Per Share	Volume of Receivables (Millions)	Net Income (Millions)	Net Per Share	Recent Price	1954 Indicated Div.	Div. Yield	Price Earnings Ratio†	Price Range 1953-54
American Investment Co. (Ill.)	$ 26.6[1]	$ 4.2	$ 1.84	$ 232.8	$ 5.2	$ 2.29	31	$ 1.60	5.1%	13.5	31¾-21½
Associates Investment Co.	68.8[1]	12.3	3.81	1,129.5	13.5	4.19	55	1.80	3.2	13.1	55 -25½
Beneficial Loan Corp.	62.4[2]	11.3	1.14[3]	536.6	14.1	1.44[3]	22[3]	.96[3]	4.3[3]	15.2[3]	23¼-13¼
C. I. T. Financial Corp.	3,016.6	26.4	2.85	4,578.2	34.7	3.62	47	2.25	4.7	12.9	49 -24⅝
Commercial Credit Co.	1,790.7	17.9	3.61	3,111.6	23.8	5.21	53	2.60	4.9	10.2	53½-31
Family Finance Corp.	[1] 5.8[4]	1.0[4]	.53[4]	152.0	3.8	2.01	25	1.40	5.6	12.4	25⅝-15⅞
General Contract Corp.	n.a.	n.a.	1.31	n.a.	2.2	1.19	18	.90	5.0	15.1	19⅝-10¾
General Finance Corp.	12.7	1.3	1.18	192.2	1.7	1.44	14	.65	4.6	9.9	14¼- 8¾
Household Finance Corp.	66.8[1]	12.9	1.77	623.4	15.7	2.14	29	1.20[6]	4.1	13.5	36⅜-19⅛
Pacific Finance Corp. (Calif.)	303.1	2.7	2.41	408.1	4.1	3.67	39	2.00	5.1	10.6	40 -25½
Seaboard Finance Co.	[1] 29.5[5]	4.7[5]	2.25[5]	210.8	4.3	2.37	31	1.80	5.8	13.0	33⅝-21⅝

n.a.—Not available.
†—Based on 1953 earnings.
[1]—Gross earnings.
[2]—Operating income.
[3]—Based on new stock after 2½ for 1 split.
[4]—Quarter ended 9/30/54.
[5]—Year ended 9/30/54.
[6]—Plus stock.

CONSUMER CREDIT OUTSTANDING IN THE UNITED STATES

(MILLION DOLLARS; END OF PERIOD FIGURES)



diminishing, all indications point to steady growth in the volume of business available under encouraging industrial conditions. Collection expenses continue to rise, but losses remain relatively low. Increasing volume of contracts has helped counteract the rise in costs. Low money rates serve to provide an encouraging earnings stimulant. Competition from commercial banks has made little headway in the small loan category.

Herewith, some equivalents on representative companies in the two categories of financing. These companies generally attract the greatest investment interest in this field and have been selected for presentation.

C. I. T. FINANCIAL CORPORATION ranks as the largest publicly owned installment finance company and concentrates on providing credit for distribution of motor cars. Retail automobile receivables account for almost two-thirds of installment paper in the company's portfolio. Wholesale motor car business fluctuates from time to time, but ordinarily accounts for less than 10 per cent of receivables. Diversification is obtained through a sizeable business in textile factoring and moderate amount of financing of consumer goods and other credit activities. The wholly owned Universal C. I. T. Credit unit concentrates on financing retail sales of Ford dealers. Some volume is obtained from Chrysler dealers and distributors of independent makers' cars. Loans have expanded steadily as the company has broadened its field of operations. Earnings have averaged close to $3.50 a share for the last five years, while dividends were distributed at a rate of $1.80 until 1954, when distributions with an extra came to $2.25 a share.

COMMERCIAL CREDIT COMPANY is the second largest concern in its field and, although its commercial operations are more extensive than those of its larger competitor, motor car financing represents a major source of revenue. Dealers distributing Chrysler, Studebaker-Packard and Nash-Hudson models provide the principal volume of retail motor paper. Insurance interests contributing earnings are fairly important. The company has profitable manufacturing subsidiaries that eventually may be disposed of at a profit. These small enterprises purchased during the war for $13.2 million had disbursed dividends to the parent company up to June 30 last totaling almost $36 million. At some future date they may be disposed of in a "spin-off" to stockholders. Earnings have averaged almost $5 a share over the last five years and dividends amounted to $2.40 annually until 1954 when distributions were boosted to $2.60 a share.

ASSOCIATES INVESTMENT, GENERAL FINANCE and PACIFIC FINANCE are others which have experienced steady growth in motor car financing and are likely to continue their progress in line with the automobile industry's gains.

HOUSEHOLD FINANCE is the largest factor in the so-called personal loan field. The company has spread its operations more extensively than principal competitors and has shared in the industry's rapid expansion in volume of loans. Good control over costs has been obtained. Earnings have steadily improved in recent years and have averaged close to $2 a share for the last five years. Dividends have approximated $1 a share annually over the period, adjusted for the 2-for-1 split last October.

BENEFICIAL LOAN CORPORATION is generally regarded as the second largest factor in the small loan group. The company has been aggressively expanding its area of operations with the intention of bolstering individual outlets in due course as business improves and population grows. Management has pioneered in development of new types of financing—such as the arrangement for enabling Pan American World Airways to sell passage on an installment basis. Loans arising from sales of airlines tickets on time have become substantial in the last year and have proved to be an important source of new business. Possibility of financing sales and installation of carpets is being explored. Earnings for 1954 are estimated to have approached a level of almost $4 a share, compared with $3.64 for 1953. In the last five years the average has been above $3.50 a share, while dividends have ranged above $2 a share annually.

AMERICAN INVESTMENT COMPANY, credited with being the third largest factor in its field, operates in 23 states through several subsidiaries. Reflecting enlargement of volume through opening of new offices and lifting of ceilings on loans, operations have steadily grown and earnings have edged higher. Earnings have averaged slightly more than $2 a share in the last five years and are estimated to have reached a new high above $2.30 a share for 1954. Dividends have held at $1.60 a share annually in recent years.

SEABOARD FINANCE, which until recent years concentrated operations in California; FAMILY FINANCE and less widely known local companies account for a significant volume of personal loans. With the benefit of effective state supervision and enlightened management, the industry is gaining prestige and is overcoming prejudices of the past. The economic necessity of financial aid of this type has been demonstrated, according to industry authorities, and indications point to continued expansion. —END

IMPORTANT INDIVIDUAL 1954 PRICE MOVEMENTS IN THE 300 STOCKS REPRESENTING THE MAGAZINE OF WALL STREET COMBINED AVERAGE

STOCKS SHOWING ADVANCES

	1954 High	1954 Low	1954 Last	Increase In Points	Percentage Change %
Abbott Laboratories	49⅜	40⅛	48⅜	+ 3⅜	+ 7%
Admiral Corp.	29⅛	18¼	28¼	9⅝	51
Air Reduction	33	22½	33	9½	40
Allegheny Ludlum Steel	45⅜	28¼	44⅛	16½	59
Allied Chemical & Dye	104½	72½	102⅝	29¼	39
Allis-Chalmers	74⅞	45⅛	73	28⅛	62
Aluminum Co. of Amer.	92	58¾	90	30⅜	50
American Airlines	22⅝	11½	22⅜	11	96
American Can	49¼	35¾	44¾	5¼	13
American Cyanamid	56	43⅜	54⅞	7¼	15
American Home Products	70	44½	69¼	21¼	44
American Locomotive	21½	12⅝	20⅞	8⅜	67
American Smelt. & Ref.	45½	27⅞	45⅛	17⅛	61
American Steel Foundries	32⅜	25¾	32⅛	5¼	19
American Tel. & Tel.	178¼	156	175	18⅞	12
American Tobacco	66⅞	55	65½	4	6
American Viscose	45⅞	30⅝	45½	9⅜	25
Anaconda Copper	52	29½	52	23	79
Armco Steel	74	33¼	72	39⅛	119
Armour & Co.	14⅞	8⅝	14¾	6	68
Atchison, Top. & Santa Fe	134⅞	92½	130½	36½	38
Atlantic Coast Line	159	85	153	69	82
Atlantic Refining	39¾	27⅞	39¼	11¼	40
Baltimore & Ohio	40⅜	18⅝	39¼	20⅜	107
Bendix Aviation	105½	60	104¾	44	72
Bethlehem Steel	111⅜	50	109⅛	59⅛	118
Boeing Airplane	75	23½	73⅞	49⅞	207
Borg Warner	115¾	74½	112½	36¾	48
Burlington Mills	17⅜	10⅜	17⅛	6⅜	59
Burroughs Corp.	25⅞	15¼	24⅝	9⅛	58
Carrier Corp.	63¼	46¾	62½	16	34
Caterpillar Tractor	85¼	44¾	82	33	74
Celanese Corp.	26⅝	16¼	25⅞	6⅝	34
Certain-teed Products	28⅜	12⅜	28¼	15¾	126
Chesapeake & Ohio	46⅛	33⅛	45⅝	12½	34
Chrysler Corp.	72¼	56¼	71⅛	11¾	19
C.I.T. Financial	49	28⅝	47¼	17¼	57
Cities Service	129⅞	78	123¼	45¼	61
Climax Molybdenum	59¾	37	57	19¾	53
Commercial Credit	53½	34⅝	52⅞	17⅝	50
Commonwealth Edison	48¾	36⅞	45⅞	8¾	23
Consumers Power	49½	38⅞	47⅛	7¼	18
Continental Baking	30⅝	20¾	30⅛	9⅝	46
Continental Can	79¾	54½	78¾	24¼	44
Continental Oil	75½	52	75	23	44
Corn Products	91½	71¼	84¾	11⅛	15
Crane Co.	40½	28½	39¾	11¼	39
Cuban American Sugar	15¼	11⅜	14⅛	2¾	24
Deere & Co.	35¼	24¾	34¼	10	41
Delaware & Hudson	57	41	55½	11¾	26
Detroit Edison	35	28⅜	34⅛	4⅞	16
Douglas Aircraft	130¼	39½	130	88⅝	214
Du Pont	170	104⅛	167½	60⅛	56
Eastman Kodak	72¼	46¾	72⅛	25	53
Erie R.R.	22½	16⅛	22¼	6⅛	37
Flintkote	42⅝	25½	40⅞	15½	61
Freeport Sulphur	76½	45½	71	25¾	56
General Dynamics	82¼	36	80⅜	44½	124
General Electric	48½	29	46¾	16¾	60
General Foods	80⅛	56⅝	76¼	16⅜	27
General Motors	98⅜	58¾	97⅞	38¼	64
Goodrich (B. F.)	128⅞	77	127	50⅛	65
Goodyear T. & R.	109¼	52⅝	108⅝	54¾	101
Grumman Aircraft	39⅝	22⅜	38	14⅝	62
Gulf Oil	67½	45⅞	66	19¾	48
Homestake Mining	52	33½	47¾	14¾	44
Houston Oil	112½	64¾	110½	43¾	65
Illinois Central	63½	37⅛	62½	24⅛	62
International Harvester	38½	27⅜	37¾	10¾	39
International Nickel	59½	34⅞	58⅞	23⅞	68
International Paper	88¾	55	88¾	32½	65
International Tel. & Tel.	26¾	13⅞	25⅞	12⅜	91
Johns-Manville	91½	61¾	88¼	22⅝	34
Kennecott Copper	107	64⅝	105½	41¼	64
Lockheed Aircraft	51⅝	26	51⅛	23⅝	94
Lone Star Cement	64	28⅝	58¼	28¼	95
Macy (R. H.) & Co.	30½	20⅞	29¾	9½	46
Martin (G. L.)	33½	16⅝	31¾	14⅞	106
Montgomery Ward	80⅜	56	79⅝	23⅝	42
National Biscuit	45⅞	36¼	43¾	7½	20
National Cash Register	103¾	57⅝	101	41½	69
National Dairy	41¾	31	38⅜	5¾	17
National Distillers	24⅛	16⅞	23¾	5¼	28
National Gypsum	49⅝	20¼	48¾	27¾	136
National Steel	66	46	65½	19⅛	41
New York Central	34⅝	18⅝	33½	14¾	78
N. Y., New Haven & Hart.	34⅛	22	34⅜	10⅝	44
North American Aviation	52¼	20	51¾	30⅝	146
Ohio Oil	70	54⅛	68⅝	14⅞	27
Otis Elevator	69⅞	44⅝	66⅝	20⅞	45
Owens Illinois Glass	104⅝	77¼	104¾	27	34
Paramount Pictures	40⅜	26⅛	40⅛	13⅝	51
Pennsylvania R.R.	25	15⅞	23¾	6⅞	40
Pepsi-Cola	18¾	13¼	18⅝	5⅜	40
Phelps Dodge	52½	30¾	52¼	21⅜	69
Philco Corp.	39⅝	28	38	9½	33
Phillips Petroleum	75⅜	53⅜	75	21½	40
Procter & Gamble	99¼	68	97¾	28¾	41
Public Service Elec. & Gas	29¾	25½	28⅝	3	11
Pure Oil	74½	47	73	26⅝	57
Radio Corp. of Amer.	39¼	22½	38½	15½	67
Remington Rand	36½	14¼	33½	19½	139
Republic Aviation	43⅞	22	40¼	17¼	92
Republic Steel	85⅝	47⅜	84⅞	36⅛	74
Richfield Oil	77⅛	48½	72⅞	24⅞	51
Safeway Stores	47½	38¼	45⅛	5⅝	14
Seaboard Air Line	80	42	76½	33½	77
Sears Roebuck	79⅛	57⅛	77¼	15¼	24
Shell Oil	61¾	38¼	61¾	23¼	60
Simmons Co.	43¼	29¼	42⅝	13⅜	45
Sinclair Oil	52⅜	32⅛	52⅛	20⅜	64
Socony-Vacuum	54⅞	35¼	54⅜	18⅞	53
Southern Pacific	54⅞	36⅝	54¼	17⅝	48
Southern Railway	8[illegible]¾	39¼	79⅜	39¼	97
Sperry	45⅞	21⅝	44½	21¼	91
Standard Brands	39¾	28⅛	39⅛	10¾	37
Standard Oil of Calif.	79¾	52¾	77	24⅛	52
Standard Oil of Indiana	48½	34¼	48⅛	13⅞	40
Standard Oil of N. J.	112¼	71¾	110⅝	38⅝	53
Swift & Co.	51½	41¾	47½	4⅛	9
Texas Co.	88	57½	86	28⅜	49
Texas Gulf Sulphur	126¾	80¾	125¼	44½	150
Timken Roller Bearing	52⅜	36⅛	51½	15⅝	43
Twentieth Cent.-Fox Film	30¼	18¼	29¾	9¼	45
Union Bag & Paper	75	43⅜	71	27	61
Union Carbide & Carbon	89	70⅝	86¼	12	16
Union Pacific R.R.	154	105¼	153½	47¾	45
United Aircraft	79¼	45¼	78¼	31⅝	92
United Air Lines	38⅜	21⅛	37¾	16¾	76
United Fruit	57	45⅛	56⅝	11⅝	25
U. S. Rubber	46⅜	29¼	44½	14¾	49
U. S. Steel	74½	39	73⅝	34⅛	86
West Indies Sugar	23¼	17⅛	22	4⅛	23
Western Union	82	35⅜	76¼	35¾	88
Westinghouse Air Brake	27⅝	22⅝	26⅝	4	17
Westinghouse Electric	80¾	50⅛	80½	29⅜	58
White Motor	36½	27	34⅞	5⅜	22
Woolworth	54¾	40⅜	51¾	8½	19
Youngstown Sheet & Tube	74⅞	38	73¾	36⅛	96
Zenith Radio	96	63½	89½	25½	39
Zonite Products	7½	4⅜	7⅛	2⅜	50

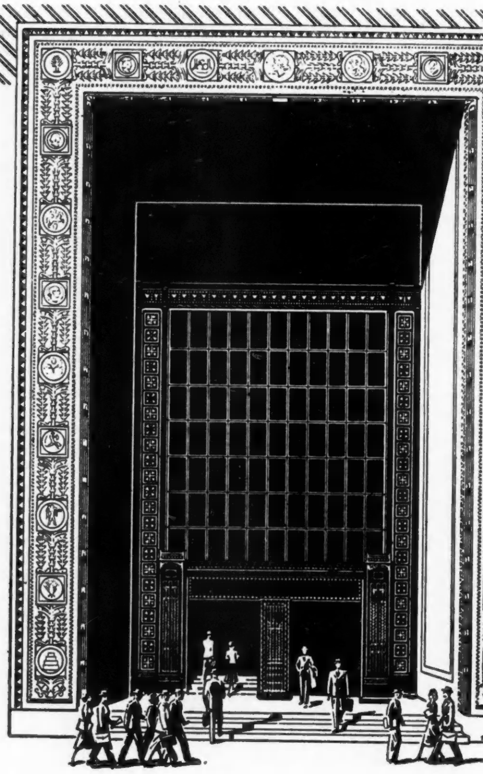
STOCKS SHOWING DECLINES

	1954 High	1954 Low	1954 Last	Decrease In Points	Percentage Change %
Electric Auto-Lite	45⅞	33	39⅝	— ½	— 1%
General Baking	11	9¼	10⅛	⅛	1
Kresge (S. S.)	34¼	28½	31¼	1¼	3
Liggett & Myers	67¼	56	63¾	¾	1
Phillip Morris	44¼	34¼	40	2⅝	6

BANK STOCK OUTLOOK for 1955

By J. S. WILLIAMS

Annual reports just issued by the larger banks show in almost all cases a realization of the favorable prospects with which they began the year 1954. Balance sheets reflect a continued growth in deposits and in resources. Income statements indicate an ability to increase gross revenues and to maintain stable net operating earnings despite the continued rising trend of employment costs common to business generally. Net earnings after taxes per share were up moderately in practically all cases, with gains averaging 10 to 15%.



Marketwise, the bank stocks during the past year have advanced more in price than was generally expected by investors and analysts. Quotations of representative issues rose about 20% to the highest level since the depression years of the early 1930s. This performance was particularly impressive in view of the fact that during recent years bank stocks have been featured mainly by their conservative character and satisfactory yields—not by the speculative possibility of price appreciation.

Today stocks of the leading American banks also possess qualities that have an appeal to investors seeking long-term appreciation—well-known names, excellent annual reports, long-term growth, intangible and hidden assets, increased dividends, stock split-ups, broad trading markets, merger rumors, rising quotations, and widening investor ownership. Last year about half of the big banks raised their dividends. Moreover, present dividend rates represent a pay-out of only one-half or two-thirds of 1954 net earnings.

Operations in 1954

Analysis of the reports of operations in 1954 just issued by 20 of the largest commercial banks, including seventeen in the "billion dollar" class based on total resources at the year-end, shows trends that are are quite similar in most cases. In this respect, banks differ from companies in most other lines of business, since the big banks all face similar conditions of money rates, keen competition for loans and deposits, and operating costs. For this reason, a number of generalizations would seem warranted as to the trends last year among the leading banks as given in the accompanying statistical table.

The figures for these largest banks, about half of which are located in New York and half elsewhere, are typical of the big city banks generally. Despite the high degree of uniformity, however, there were some pronounced variations last year among individual banks that are brought out in the table or will be commented upon later.

Total resources of commercial banks continued their expansion last year to set a new all-time high. Weekly reporting banks in leading cities showed an increase of approximately $5.9 billion or about 7% in combined loans and investments for the year.

Of this increase, total loans accounted for only about $600 million. There was an actual decrease amounting to $900 million, in the most important category of commercial, industrial, and agricultural loans, reflecting the slowing down of business and the liquidation of inventories in 1954 as compared with 1953. There were more than offsetting increases, however, in the other principal classes of loans—to security dealers and brokers, other security loans, real estate loans, loans to banks, and "other" loans including instalment credits.

The major portion of the expansion of banking assets last year was in holdings of U.S. Government securities which were up $4.1 billion. Other securities increased by $1.1 billion.

On the liability side of the statements total deposits increased by $4.1 billion. This was made up

principally of an increase of $2.2 billion in demand deposits and $1.9 billion in time deposits, though there were gains also in deposits of the U.S. Government and foreign banks, but a decrease in domestic bank deposits.

Loans and investments could be increased more than deposits last year because of the lowering by the Federal Reserve Banks of the reserve requirements in June. This released the amount of commercial banks' cash required to be held idle at the Reserve Banks and permitted it to be loaned out or invested. As other moves toward easing money rates, the Federal Reserve Banks lowered their discount rates for loans to member banks from 2 to 1¾% in February and to 1½% in April.

This expansion of earning assets helped the banks to offset the effects of lower money rates last year and to maintain or increase their gross income, which otherwise would have fallen with the easing of rates as shown in the table.

Although the volume of commercial loans contracted and the "prime" rate was lowered from 3½ to 3%, the volume of other loans continued to grow and the rates held relatively firm.

Likewise the lower average yields on investments were offset last year by the substantial increase in holdings. Moreover, the major portion of the increase in government securities was in the medium and long-term bonds which give the higher yields, rather than in bills and certificates giving much lower yields.

An additional factor making for moderately higher net earnings reported by most banks last year, despite the tendency already mentioned of rising costs for labor and materials, was the profits realized on the sale of investments when the bond markets recovered. Whereas the year 1953 was marked by tightening money rates and falling bond prices, the year '54 brought a reversal as the monetary authorities eased credit and the markets soared. Thus the losses on investments in '53 were replaced by profits in '54, with corresponding improvement in the final net profit after taxes realized from all transactions.

Changes in Interest Rates and Bond Yields During the Past Year

	Jan. 1954	Jan. 1955
MONEY RATES		
Prime commercial loans	3.25	3.00
Commercial paper, 4-6 mos.	2.11	1.37
Bankers acceptances, 90 days	1.88	1.25
Treasury bills, 3 months	1.21	1.05
Fed. Res. Bank rediscounts	2.00	1.50
Treasury certificates, 9-12 mos.	1.33	1.12
Treasury notes, 3-5 years	2.04	1.96
BOND YIELDS		
Baa Corporate bonds	3.71	3.44
AAA Corporate bonds	3.06	2.92
Long-term U. S. bonds	2.90	2.58
High grade municipal bonds	2.50	2.35

While taxes are still a heavy charge on bank earnings, the same is true for business generally. The tax picture for banks in 1955 will not change materially from '54, in that the basic rate will remain at 52%. One exception, however, is the liberalization of the tax law, effective in 1954, enabling banks to set up additional tax-free reserves against possible losses on bad debts and simplifying the calculation. It should encourage many more banks to set up such reserves, which under the old formula was too complicated, and this will aid the soundness of the banking business. It probably will not affect net operating earnings, since banks usually set it up "below" the line as a charge against undivided profits rather than against current operating income.

Banks, as well as corporations generally, will undoubtedly follow the conservative policy of accruing 1955 earnings on the basis of the federal income tax remaining at 52% throughout this year, as recommended by President Eisenhower, rather than assuming a decline as provided by existing law to 47% on April 1. (*Please turn to page* 538)

Statistical Data on Leading Bank Stocks

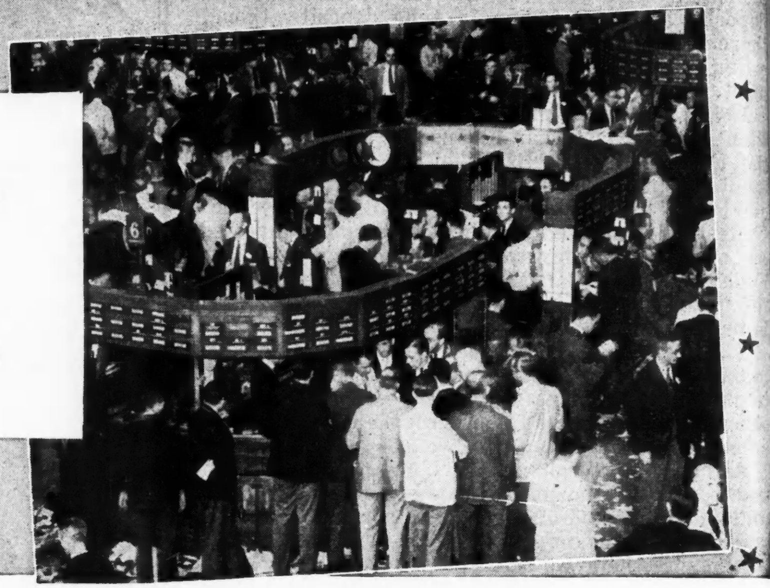
	Total Deposits 12-31-54	Total Deposits 12-31-53	Loans & Discounts 12-31-54	Loans & Discounts 12-31-53	U. S. Govt. Securities 12-31-54	U. S. Govt. Securities 12-31-53	Book Value per Share 12-31-54	Earnings per Share* Year 1954	Earnings per Share* Year 1953	Indicated Current Dividend	Recent Price	Dividend Yield
	(Millions)											
Amer. Trust, San Francisco	$1,337	$1,198	$ 636	$ 560	$ 446	$ 377	$ 34.41	$ 3.05	$ 2.56	$ 1.40	$ 39	3.6%
Bank of Amer., S. Francisco	8,271	7,744	4,043	4,149	2,414	1,669	19.44	2.65	2.31	1.60	40	4.0
Bank of Manhattan, N. Y.	1,480	1,299	620	622	473	324	35.37	2.90	2.70	1.90	52	3.7
Bankers Trust, N. Y.	2,029	1,908	1,030	988	500	505	61.64	4.57	4.17	2.40	65	3.7
Chase National, N. Y.	5,379	5,062	2,257	2,394	1,435	927	53.68	4.90	3.65	2.20	60	3.7
Chemical Corn Exch., N. Y.[1]	2,624	1,816	976	774	829	453	44.03	3.49	3.42	2.00	51	3.9
Cleveland Trust Co.	1,292	1,278	523	501	488	465	229.34	......	21.72	6.00	280	2.1
Continental Illinois, Chicago	2,477	2,536	688	793	1,248	1,116	96.47	8.06	7.94	4.00	100	4.0
First National of Boston	1,571	1,536	......	689	460	443	47.53	4.59	4.30	2.70	63	4.3
First National of Chicago	2,688	2,621	1,282	1,192	875	817	206.64	17.85	15.17	8.00	306	2.6
First National of N. Y.	556	580	222	269	204	171	477.42	25.94	23.15	23.00	432	5.3
Guaranty Trust, N. Y.	2,600	2,521	1,369	1,405	991	743	80.12	5.54	4.49	3.70	75	4.9
Hanover Bank, N. Y.	1,591	1,657	642	705	586	572	111.57	8.86	7.34	4.00	106	3.8
Irving Trust, N. Y.	1,407	1,324	620	608	445	373	24.84	1.80	1.73	1.30	30	4.3
Manufacturers Trust, N. Y.	2,802	2,699	830	918	986	833	75.10	5.88	5.81	3.20	80	4.0
National Bank of Detroit	1,692	1,700	374	358	807	801	46.28	4.12	3.41	2.00	63	3.2
National City, N. Y.	5,639	5,538	2,337	2,369	1,843	1,540	58.47[2]	3.38[2]	3.13[2]	2.40[2]	58	4.1
New York Trust	751	679	317	327	260	215	127.52	4.35	9.01	6.00	139	4.3
Philadelphia National	875	804	316	315	251	182	96.00	......	8.24	5.00	119	4.2
Security 1st Nat., Los Angeles	1,947	1,875	508	540	1,095	993	55.76	5.03	4.37	1.80	78	2.3

*—Net operating or indicated earnings.

1—Formerly Chemical Bank & Trust Co. On Oct. 15, 1954 absorbed Corn Exchange Bank Trust Co.

2—Includes City Bank Farmers Trust Co.

FOR PROFIT AND INCOME



Fast

It is a law of nature that destruction is more rapid than construction. That applies to building, to the life and death of people, animals, trees, plants, etc. It is so of the stock market. To illustrate: the post-election rise in stock prices (which actually began one day ahead of the election of November 2) took the Dow-Jones industrial average up 61.75 points and the rail average up 30.61 points in 42 trading sessions, measured from the intra-day low of October 29 to intra-day high of January 3; but in only three recent trading sessions (those of January 4-6) the maximum downswing was 25.38 points for the industrial average and 9.17 points for rails. The sell-off, which was facilitated by the news of the boost in margin requirements, was merely within the limits of a normal corrective reaction, and in any event was overdue. Nevertheless, in three days time it cancelled about 41% of the entire prior phase of advance in industrials and nearly 36% for rails. Perhaps the most unusual thing about it was that rails fared better than industrials. In past declines the contrary has been so more often than not. The drop from top to the January 6 low (bottom of the swing up to this writing) was about 7.4% for industrials, 6.2% for rails.

Prospects

The correction has not made the general run of stocks cheap, but only somewhat less dear than they had been. It merely took the industrial and rail averages back to about the levels of mid-December, at which, on the way up, they certainly were in advanced territory. It nevertheless provided better opportunity for institutional funds to accumulate high-grade income and growth stocks of the types heretofore popular with them. Such stocks will no doubt continue to meet with good buying on dips, since there is no evidence that the bull market is "through." But it is reasonable to think that on any further phases of advance the leadership will center relatively more in selected secondary cyclical and speculative stocks. The shift in preference of individual buyers, whose operations still considerably outweigh those of institutions, has been in that direction for some time, even though along selective lines.

Testimony

The tendency of buyers to trade down as the averages advanced, and yields on top-grade stocks fell lower and lower, is perhaps most easily illustrated by the change in character of the rail market. Earlier phases of the advance in this group were paced by the best rails, with most of the speculative issues lagging. In December, however, most of the better rails advanced either less than or no more than the rail average. Examples of this included Atchison, Atlantic Coast Line, Rock Island, Kansas City Southern, Norfolk & Western, Seaboard Air Line (actually down slightly in December), Southern Pacific and Union Pacific. On the other hand, the biggest gainers percentage included Baltimore & Ohio, Boston & Maine, Chicago & North Western, New York Central, Katy, New Haven, and Pennsylvania R.R.

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1954	1953
Dresser Industries	Year Oct. 31	$5.53	$3.80
Houston Lighting & Power	12 mos. Nov. 30	2.38	1.99
Oklahoma Natural Gas	12 mos. Oct. 31	1.61	.89
Food Fair Stores	28 weeks Nov. 13	1.27	.89
Marathon Corp.	Year Oct. 31	2.01	1.55
Twentieth Century-Fox Film	13 weeks Sept. 25	1.00	.46
Federated Department Stores	13 weeks Oct. 30	1.33	.94
Texas Utilities Co.	Quar. Oct. 31	1.30	1.02
Corning Glass Works	40 weeks Oct. 10	4.48	3.76
Columbia Pictures Corp.	13 weeks Sept. 25	1.70	.92

Groups

As usual, despite some exceptions, stock groups which declined most in reaction to date were those which had enjoyed sharp prior advances. Examples include air transport, paper, aircraft, copper, tires, steels and movies. Groups suffering no great damage included utilities and natural gas, finance companies, soft drinks, electrical equipments, oils, food brands and variety chains.

Strong

Stocks which show exceptional strength in a weak market (unless it results from transient news) should as a rule fare better than average when the general list turns around and renews its upward trend. Recent examples have included Seeger Refrigerator, National Sugar Refining, Lee Tire (stock-split news), Northrop Aircraft, Spalding (better earnings, with booming demand for sports goods continuing) West Penn Electric (stock-split news), General Tire, Grand Union, Clinton Foods, Macy, Mercantile Stores, National Gypsum, Pepsi-Cola, Rheem Manufacturing and Western Union.

Sugar

There is an ample supply of raw sugar, with upward pressure on prices unlikely, and a steady retail demand for the end product. This suggests satisfactory, if not improved, operating margins and earnings for domestic sugar refiners. Under government crop and quota controls in most growing areas, fluctuation in raw sugar prices is less extreme than formerly. At least over the last decade, operations of the big U. S. refiners have shown a fair degree of stability. Hence, some of the old speculative stigma attaching to the stocks seems gradually to be wearing off. That is perhaps more true of National Sugar, second biggest, than of American Sugar, since the latter is also a cane sugar producer, with Cuban properties. National probably will report 1954 profit somewhat above 1953's \$2.70 a share. Finances are in good shape. For the fifth consecutive year, the \$2 dividend was supplemented by a 50-cent year-end extra for 1954. Until fairly recently, this stock had long been confined to a range of roughly 25-30, yielding between 10% and 8% or so on a \$2.50 payment basis. Recent advance took it to 36, best level since 38 in 1946. But the dividend in 1946 was only \$1.45. The moderately favorable considerations cited, and the search of investors for yield, adequately explain the stock's better performance. Even at its present level, the issue yields not far from 7%, and might well work somewhat higher.

Small

Brokers report—and the story told by the tape checks with it—that there was very little "big selling" on the market's latest reaction. That is, the great bulk of the selling orders were in lots of 100 and 200 shares. Many were odd lots. It is, of course, usually that way. Big holders, including institutions, are more inclined to sit tight than are smaller investors or traders. Moreover, big selling is generally done gradually on strength. The dumping of large blocks of stocks on weakness would make a real shambles out of the market.

Suggestion

We have heretofore commented in this space on speculative potentials in Pepsi-Cola. The stock reached a pre-reaction high of 19¾, retreated only to 18 and is currently at 19. This performance suggests good support, and probable further upward tendencies, given either renewal of general market advance or nothing worse than a phase of selective, trading-range fluctuation. Because of speculative popularity—not too well founded in the past—Pepsi has rarely been cheap on earnings. Thus, in each of the five years 1944-1948, its highs ranged from 24½ to 40½ (exceeding 30 in three years) on net ranging from 55 cents to \$1.18 a share. There is a solider basis for speculation in the stock now than formerly, since the present management is making strong progress in building up sales and profits. The latter are estimated to have been around \$1.10 a share in 1954, against 1953's 95 cents; and may be close to \$1.40, a new record, this year.

Splits

Not counting those of some small and relatively obscure concerns, there were around 100 stock splits in 1954, roughly 30% more than in 1953; and around a score of others are awaiting approval of stockholders at the present time. This is mere routine. If a proposed split ever failed to get ratification, that would be news like "man bites dog." There is much guesswork in trying to pick stocks which might be split at any future time, much less in the near future. Some conjectural possibilities are Bethlehem Steel, and Big Steel, as heretofore noted; Atchison, Rock Island, duPont, Allied Chemical, Douglas Aircraft, General Motors, Gillette, Hercules Powder, Kennecott Copper, Minneapolis-Honeywell, Minnesota Mining, Monsanto, Reynolds Metals, Standard Oil (New Jersey).

Rails

Rail stocks rose more than industrials from late-October low to early-January high, and then reacted less than industrials, as heretofore noted. The latter behavior may have promising implications. If rails get going again, probably the best speculative bets will be high-leverage issues—those where moderate betterment of gross revenue can translate into sharp gains in per-share net. A few examples are Baltimore & Ohio, Erie, New York Central, Pennsylvania, New Haven, Chicago & Eastern Illinois and Chicago, Milwaukee, St. Paul & Pacific.

(*Please turn to page* 540)

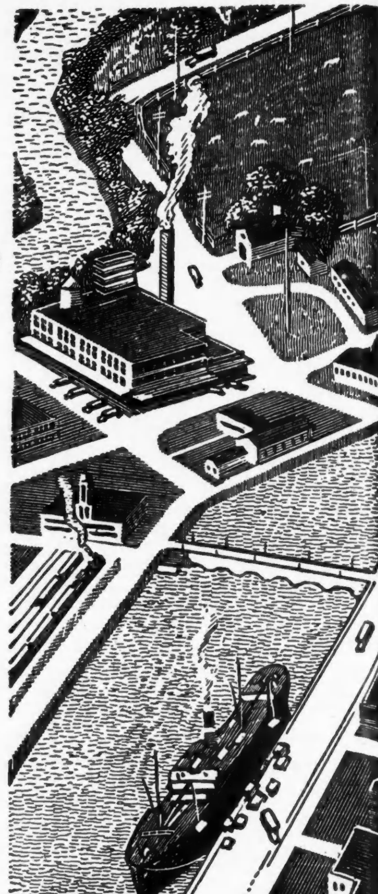
DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1954	1953
Clinton Foods	Year Sept. 30	\$3.02	\$4.01
South Porto Rico Sugar	Year Sept. 30	1.92	3.07
Swift & Co.	Year Oct. 30	3.22	5.72
May Department Stores	9 mos. Oct. 31	.91	1.16
Du Mont, Allen B., Labr.	40 weeks Oct. 10	.22	.36
Continental-Diamond Fibre	9 mos. Sept. 30	.09	1.53
Smith, A. O., Corp.	Quar. Oct. 31	.60	1.01
St. Louis-San Fran. Ry. Sys.	10 mos. Oct. 31	1.55	4.17
Rohr Aircraft Corp.	Quar. Oct. 31	.88	1.54
Reading Co.	10 mos. Oct. 31	3.79	5.93

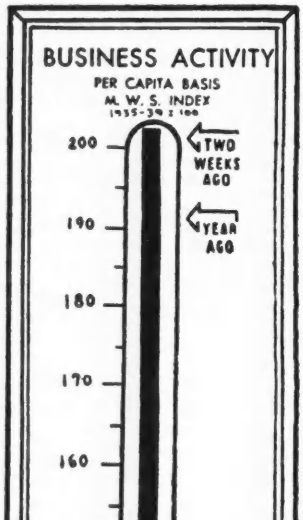
The Business Analyst

What's Ahead for Business?

By E. K. A.



Commodity prices, as evidenced by the action of both official and unofficial price indices, appear to have completely ignored during the past few months the upturns in business activity, the sharp uptrends in securities, and some resumption of inflationary sentiment. To be sure, prices have been marked up here and there in response to improved demand or where producers felt that the times were propitious for announcing deferred increases, but these have been offset or a little more than offset by declines in other directions. The overall price trend since early last Fall has been slightly downward.



Such action of commodity prices is not unprecedented. But those who buy and sell commodities, a worrying lot by nature of their callings, appear to attach more significance to the recent contrary behavior of price trends than does the public generally. Some are drawing parallels with 1928 and 1929, when commodity prices eased while business and securities moved upward. Others, aware of the deflationary commodity price spills that followed the inflationary spirals of previous major wars, are none too sure that deflationary forces are not gathering headway.

However, this extreme concern over the commodity price trend appears to be overdone. Nevertheless, it is almost certain to pop up from time to time, and it is important that business men and investors understand what is happening in the realm of commodity prices, and why.

The transition from sellers' markets to buyers' markets appears to be complete for practically all commodities—considering that term in its broadest sense—and we appear to be entering an era when surpluses of numerous commodities will be an ever-present problem. Primarily, it is the weight of these surpluses that is tending to depress the commodity price structure in the face of rising demand schedules. The forces of supply and demand are at work, just as they were in the earlier postwar period of small supplies and even higher level demand stemming from the necessity of replenishing depleted inventories throughout the world.

The wholesale commodity price level, although 6 per cent lower than at the postwar peak in early 1951, still is more than twice the average prevailing in the years immediately prior to World War II. A high price level, by any "normal" standards, has continued for an unusually long time and has provided a sharp impetus to production and productive capacity of practically every commodity, whether it be raw material or finished product. Although there has been much expansion of productive capacity during and since the end of the war, the average cost of facilities—whether in agriculture, mining, or manufacturing—still is well below current replacement costs. To a great extent, the cost of production—despite higher labor costs—has not caught up with the rise in commodity prices.

Inevitably, such a situation is conducive to overproduction and the accumulation of surpluses. In some areas, governmental action—through price support programs for farm products and "stockpiling" of certain strategic materials—has softened the impact of mounting supplies, although it is generally agreed that such support cannot be extended much longer in view of the huge supplies already accumulated in government hands. Attempts to move some of these surpluses already have resulted in considerable pressure on prices. And, over the next few years, a number of markets will meet head on the sharply expanded output of various tree crops—coffee, cocoa, rubber, and the like—as trees planted in recent years of high prices come into full bearing.

Apparently, pressure on the commodity price structure will continue to increase, with exceptions for a number of individual commodities where surpluses are not presently a problem.

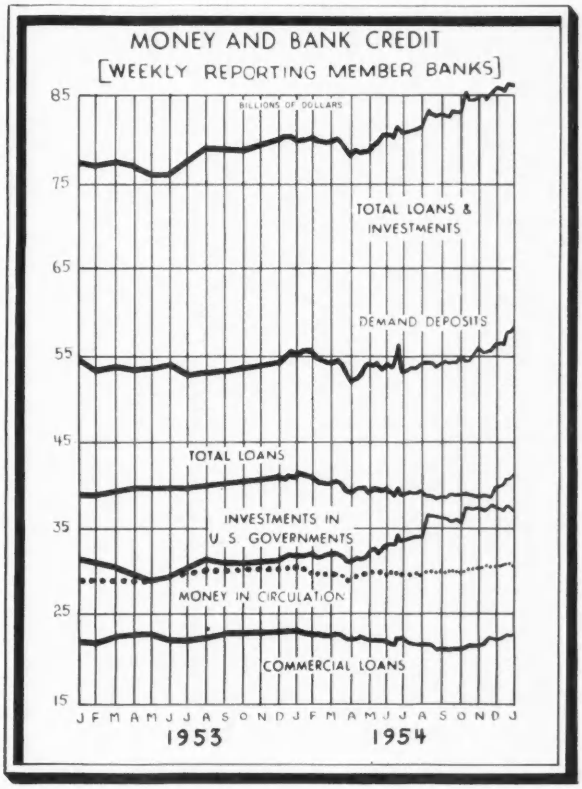
The Business Analyst

HIGHLIGHTS

MONEY & CREDIT—The feature of recent financial developments has been the Federal Reserve Board's move to dampen over—enthusiastic speculation in common stocks. Faced with a booming market that has lately experienced broadening public participation on borrowed money, the authorities have raised the requirements regarding down payments on stock purchases to 60% of the cost, from the previous 50% level. The increase was a relatively moderate one, in line with the fact that customers' debit balances were still not dangerously high, amounting to $2.2 billion on November 30, only a small fraction of the value of all listed stocks. The move, however, did serve notice on the financial community that the Board was watching developments closely and was ready to act quickly wherever any sector of the economy became over-extended.

Although the Central Bank's action posed no threat to fixed income, bondholders had other reasons for exercising caution. Perturbed last month by evidence of an apparent change in monetary policy, tending to veer away from extreme monetary ease, investors are now eyeing the Treasury's approaching refunding operations with some apprehension. In February and March of this year, $15 billion of Federal obligations fall due and a Treasury exchange offer is expected in the near future. With business tending upwards in recent weeks, it is felt in many quarters that the nation's fiscal authorities can resume their policy of lengthening the maturity of the debt by offering a long-term obligation at this time. Such a development would of course compete with private demands for long-term capital funds, and to that extent would make for higher interest rates. However, the Federal Reserve still has the ability, via open-market operations, of mitigating any untoward tightening of credit and would undoubtedly intervent to prevent any sharp rise in borrowing costs. Other developments which are receiving the careful attention of investors include the heavy calendar of new issues and the record demand for mortgage loans which, according to recent figures, is siphoning off liquid savings at an increasing rate. The caution induced by these developments has put fixed-income securities under some pressure although the main effect, thus far, has been on Federal obligations. The Treasury's 3¼s of 1983-1978 have declined 1¼ points in the two weeks ending January 10 and the 2½s of 1972-1967 have given up ¾ point. Corporate and tax exempt obligations have shown greater resistance to decline, attributable in part to a paucity of transactions coupled with the fact that prices of some bonds of this description had been low compared to Treasury obligations.

TRADE—The fast pace of consumer demand that was evident last month, has eased a bit in post-Christmas transactions and the dollar volume of retail sales for the week ending Wednesday, January 5, was back to the levels of a year ago, according to estimates by Dun & Bradstreet. The best showing in the latest period was made in the Southern districts where sales were running 4% above the corresponding 1954 period. Apparel and food stores reported that they were doing better than a year ago but furniture, appliances and television sets were in slower demand.



INDUSTRY—Industrial production took the usual holiday breathers last month but on a seasonally adjusted basis, production continued to mount. The MWS Business Activity Index rose to 203.0 in the week ending January 1, up from 195.0 a month ago. In the past month all components of the index have been higher, with steel output, lumber shipments and crude oil runs showing the most strength.

COMMODITIES—Sensitive spot commodities were somewhat firmer in the two weeks ending January 7 and the Bureau of Labor Statistics index of 22 such commodities rose 1% during the period, to 90.9% of the 1947-1949 average. Strongest component of the index in the fortnight ending January 7 was the industrial commodity group which added 1.2%. Fats and oils gained 1.0% and metals were 0.6% higher.

NEW CONSTRUCTION continued to sef a fast pace in December with outlays amounting to $2,985 million, a 10% gain

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Nov.	3.1	3.2	3.6	1.6
Cumulative from mid-1940	Nov.	570.4	567.3	525.7	13.8
FEDERAL GROSS DEBT—$b	Jan. 4	278.8	278.7	275.1	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Dec. 29	58.4	58.0	56.7	26.1
Currency in Circulation	Jan. 5	30.4	30.6	30.6	10.7
BANK DEBITS—(rb3)**					
New York City—$b	Nov.	63.2	58.8	54.3	16.1
344 Other Centers—$b	Nov.	99.1	90.3	91.5	29.0
PERSONAL INCOME—$b (cd2)	Nov.	287.6	286.3	287.2	102
Salaries and Wages	Nov.	197	196	198	99
Proprietors' Incomes	Nov.	47	47	49	23
Interest and Dividends	Nov.	25	25	24	10
Transfer Payments	Nov.	16	17	14	10
(INCOME FROM AGRICULTURE)	Nov.	14	14	16	3
POPULATION—m (e) (cb)	Nov.	163.5	163.2	160.7	133.8
Non-Institutional, Age 14 & Over	Nov.	116.6	116.5	115.5	101.8
Civilian Labor Force	Nov.	64.6	64.9	63.9	55.6
Armed Forces	Nov.	3.3	3.3	3.5	1.6
unemployed	Nov.	2.9	2.7	1.7	3.8
Employed	Nov.	61.7	62.1	62.2	51.8
In Agriculture	Nov.	6.2	7.2	6.6	8.0
Non-Farm	Nov.	55.6	54.9	55.6	43.2
Weekly Hours	Nov.	40.6	41.4	41.2	42.0
EMPLOYEES, Non-Farm—m (lb)	Nov.	48.7	48.6	49.9	37.5
Government	Nov.	6.9	6.9	6.7	4.8
Trade	Nov.	10.7	10.6	10.8	7.9
Factory	Nov.	12.7	12.7	13.5	11.7
Weekly Hours	Nov.	40.1	39.9	40.0	40.4
Hourly Wage (cents)	Nov.	1.82	1.81	1.79	77.3
Weekly Wage ($)	Nov.	72.98	72.22	71.60	21.33
PRICES—Wholesale (lb2)	Jan. 4	109.6	109.6	110.9	66.9
Retail (cd)	Oct.	207.6	208.2	210.0	116.2
COST OF LIVING (lb2)	Nov.	114.6	114.5	115.0	65.9
Food	Nov.	111.1	111.8	112.0	64.9
Clothing	Nov.	104.6	104.6	105.5	59.5
Rent	Nov.	129.2	129.0	127.3	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Oct.	14.1	14.2	14.0	4.7
Durable Goods	Oct.	4.7	4.8	5.0	1.1
Non-Durable Goods	Oct.	9.4	9.4	9.0	3.6
Dep't Store Sales (mrb)	Oct.	0.86	0.81	0.84	0.34
Consumer Credit, End Mo. (rb)	Oct.	29.0	28.9	28.6	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	Nov.	24.5	24.1	21.6	14.6
Durable Goods	Nov.	11.8	11.6	9.6	7.1
Non-Durable Goods	Nov.	12.7	12.5	12.0	7.5
Shipments—$b (cd)—Total**	Nov.	24.6	23.3	24.3	8.3
Durable Goods	Nov.	11.6	10.7	11.9	4.1
Non-Durable Goods	Nov.	13.0	12.6	12.4	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Nov.	77.6	77.5	81.3	28.6
Manufacturers'	Nov.	43.8	43.8	46.9	16.4
Wholesalers'	Nov.	11.7	11.7	11.9	4.1
Retailers'	Nov.	22.1	22.0	22.4	8.1
Dept. Store Stocks (mrb)	Nov.	2.5	2.5	2.5	1.1
BUSINESS ACTIVITY—1—pc	Jan. 1	203.0	202.6	191.8	141.8
(M. W. S.)—1—np	Jan. 1	253.8	253.3	235.7	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 527)

over a year ago. Private residential building was the biggest contributor to the good showing with expenditures in this sector at $1,214 million, a 28% advance from December, 1953. The December results brought total construction spending for the year to $37.2 billion, a new record and 5% above 1953. Last year's best period, constructionwise, occurred in the second half as erection of private dwellings went into high gear, reflecting the stimulus of lower borrowing costs as well as the liberalized mortgage loan provisions of the Housing Act of 1954. Other types of building which set new records included office buildings, shipping and service centers, schools, highways, sewers and water systems.

* * *

The level of business **INVENTORIES** rose to $77,645,000,000 in November, on a seasonally adjusted basis, up $81 million from the previous month and the first increase in the adjusted figures since September, 1953. The biggest pick-up in inventories in November was in the retail field with stocking of new models by auto dealers an important factor. Wholesale inventories were about the same as the previous month while manufacturers' stocks declined slightly.

* * *

Individuals' **SAVINGS** in liquid form dropped to $2.7 billion in the third quarter of 1954, according to compilations by the Securities & Exchange Commission. The third quarter's savings rate was down from $2.9 billion the previous quarter and was at the lowest level since the first quarter of 1953. Bank deposits and currency holdings rose by $3.5 billion in the latest period but this was offset by liquidation of holdings of Treasury obligations and by a sharp rise in mortgage indebtedness. Investment in securities of State and local governments fell by $300 million, in contrast to a $400 million increase in the previous three months. Holdings of corporate stock were only $700 million higher, reflecting the moderate volume of new stock issues.

* * *

Manufacturers shipped 5,758,515 **PASSENGER TIRES** in November, an increase of 12.5% from October, the Rubber Manufacturers Association has reported. Tire output during the month came to 6,480,280 units, down 3.3% from October production. With shipments under output, inventories in manufacturers' hands amounted to 11,330,813 tires, up 7.6% from a month earlier. A year ago stocks on hand came to 12,284,070 units.

* * *

NICKEL production by the free world

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)	Nov.	129	126	129	93
Mining	Nov.	110	109	111	87
Durable Goods Mfr.	Nov.	144	139	146	88
Non-Durable Goods Mfr.	Nov.	118	117	115	89
CARLOADINGS—t—Total	Jan. 1	529	561	478	933
Misc. Freight	Jan. 1	273	288	252	379
Mdse. L. C. L.	Jan. 1	52	56	46	66
Grain	Jan. 1	37	41	31	43
ELEC. POWER Output (Kw.H.) m	Jan. 1	9,425	9,431	8,198	3,266
SOFT COAL, Prod. (st) m	Jan. 1	7.4	7.3	6.8	10.8
Cumulative from Jan. 1	Dec. 31	392.0	373.5	457.3	44.6
Stocks, End Mo.	Nov.	71.0	70.3	82.4	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Dec. 31	6.3	6.4	6.2	4.1
Gasoline Stocks	Dec. 31	157	155	158	86
Fuel Oil Stocks	Dec. 31	51	51	49	94
Heating Oil Stocks	Dec. 31	110	114	113	55
LUMBER, Prod.—(bd. ft.) m	Jan. 1	181	219	138	632
Stocks, End Mo. (bd. ft.) b	Nov.	9.1	8.9	8.8	7.9
STEEL INGOT PROD. (st) m	Nov.	8.1	7.7	8.7	7.0
Cumulative from Jan. 1	Nov.	80.0	71.9	103.7	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Jan. 6	415	216	226	94
Cumulative from Jan. 1	Jan. 6	415	14,412	226	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Jan. 1	215	183	186	165
Cigarettes, Domestic Sales—b	Oct.	32	33	35	17
Do., Cigars—m	Oct.	567	569	589	543
Do., Manufactured Tobacco (lbs.)m.	Oct.	18	19	18	28

PRESENT POSITION AND OUTLOOK

set an all-time high of 390 million pounds last year, which was 50 million pounds above 1953 output. Canada's production accounted for the lion's share of the total, amounting to 320 million pounds, versus 286 million pounds the previous year. Government stockpiling last year absorbed most of the rise in output and also required increased diversion from private industry. However, there was a drop in demand for nickel for defense uses so that the total supply for civilian needs was somewhat improved.

* * *

New orders for **FREIGHT CARS** rose briskly in November, to 3,754 units, from 2,704 the previous month. Manufacturers delivered 1,302 cars during the month, which compares with deliveries of 1,817 cars in October and 6,137 cars in November, 1953. With incoming orders above shipments in November, the backlog of unfilled orders rose to 14,805 units on December 1 versus 12,853 a month earlier. On December 1, 1953, manufacturers had orders for 31,869 freight cars on the books.

* * *

PAPER AND BOARD production in October amounted to 2,366,971 tons, an increase of 6% from the previous month but still 2% under output of a year ago. Paper output in the latest month was 1% below October, 1953.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. 1—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

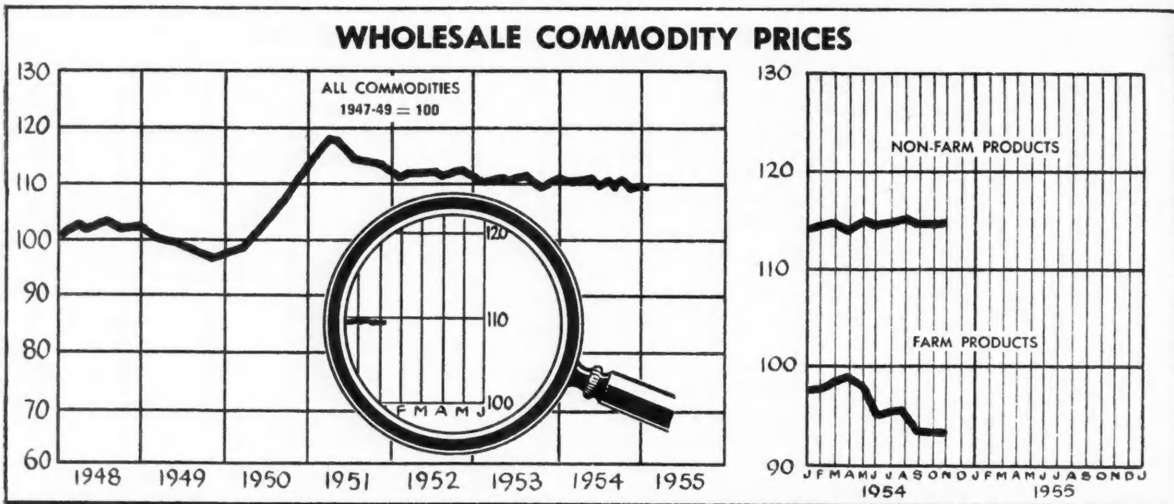
No. of Issues (1925 Cl.—100)	1954-'55 Range High	1954-'55 Range Low	1954 Dec. 31	1954 Jan.7
300 COMBINED AVERAGE	287.2	192.8	287.2	282.0
4 Agricultural Implements	270.3	189.7	270.3	264.9
3 Air Conditioning ('53 Cl.—100)	123.0	99.0	116.0	110.2
10 Aircraft ('27 Cl.—100)	927.3	404.4	927.3	899.5
7 Airlines ('27 Cl.—100)	1044.3	512.3	1044.3	971.2
4 Aluminum ('53 Cl.—100)	197.0	99.0	197.0	193.1
7 Amusements	159.8	87.6	159.8	151.8
9 Auto Accessories	317.8	241.3	317.8	311.4
6 Automobiles	47.5	38.4	45.7	47.5H
4 Baking ('26 Cl.—100)	28.1	23.0	28.1	27.8
3 Business Machines	682.3	362.3	664.7	651.4
6 Chemicals	491.2	369.3	491.2	471.6
3 Coal Mining	14.8	9.4	14.4	14.8H
4 Communication	106.0	61.0	106.0	104.9
9 Construction	109.7	64.0	109.7	106.4
7 Container	725.9	495.4	725.9	689.6
7 Copper	231.5	140.6	231.5	222.2
2 Dairy	129.1	102.0	117.6	117.6
6 Dept. Stores	80.8	56.8	80.8	80.8
5 Drugs—Eth. ('53 Cl.—100)	135.0	97.0	135.0	131.0
6 Elec. Eqp. ('53 Cl.—100)	156.0	99.0	156.0	156.0
2 Finance	618.1	394.8	614.2	608.1
6 Food Brands	266.6	194.6	261.4	266.6H
3 Food Stores	151.6	130.2	144.9	144.9

(Nov. 14, 1936, Cl.—100)	High	Low	1954 Dec. 31	1954 Jan.7
100 HIGH PRICED STOCKS	184.5	124.0	184.5	180.6
100 LOW PRICED STOCKS	347.2	225.0	347.0	343.5
4 Gold	763.5	517.4	713.3	741.8
4 Invest. Trusts	148.2	99.5	148.2	143.8
3 Liquor ('27 Cl.—100)	1080.1	805.8	1080.1	1036.9
9 Machinery	324.2	210.0	324.2	317.7
3 Mail Order	162.6	110.2	162.6	159.3
4 Meat Packing	120.0	85.7	120.0	112.8
5 Metal Fab'cat'g ('53 Cl.—100)	164.0	101.0	164.0	155.9
10 Metals, Miscellaneous	361.8	215.1	361.8	358.2
4 Paper	807.5	466.0	807.5	767.1
22 Petroleum	602.0	412.1	602.0	590.0
22 Public Utilities	237.2	194.4	237.2	234.8
7 Rail Equipment	74.9	52.8	74.9	73.4
20 Railroads	66.7	51.0	66.0	66.7H
3 Soft Drinks	464.5	380.1	459.9	464.5H
11 Steel & Iron	226.0	133.8	226.0	219.2
4 Sugar	59.2	47.3	57.8	56.1
2 Sulphur	855.1	564.3	838.3	855.1H
10 Television ('27 Cl.—100)	41.1	29.0	41.1	40.7
5 Textiles	149.9	101.3	149.9	149.9
3 Tire & Rubber	147.6	86.3	145.0	137.8
5 Tobacco	86.2	73.5	.86.2	85.3
2 Variety Stores	317.7	274.4	311.9	311.9
15 Unclassified ('49 Cl.—100)	147.8	106.2	147.8	147.8

H—New High for 1954-55.

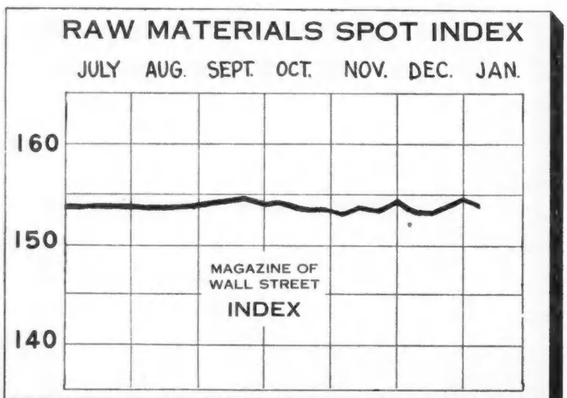
Trend of Commodities

Most commodity futures were moderately lower in the two weeks ending January 10. The Dow-Jones Futures Index, however, managed to show a gain of 0.43 points, reflecting special strength in cocoa futures. Wheat futures declined slightly in the period under review and the May option lost ½ cent to close at 227⅛. Needed rain over wide areas of the Southwestern wheat belt was a depressing influence, although the Agriculture Department stresses the fact that much more moisture will be needed to salvage the crop in these areas. Wheat exports have improved lately with the Commodity Credit Corporation selling large quantities to foreign countries. The agency is fast running out of certain types of the bread grain and this should be a stabilizing influence. May corn lost 1 cent in the two weeks ending January 10 to close at 158. The Agriculture Department estimates the season's corn supply at 3,884 million bushels, including the 918 million bushel carryover. With some 725 mi lion bushels of the grain under Government loan or ownershi this left 3,150 million bushels of "free" grain at the beginnin of the season, versus 3,400 million bushels a year earlier. Co disappearance this season is expected to exceed that of la season which would have favorable implications for price However, the size of placements under the loan and the exte of Government selling of its holdings will also be importa factors influencing price trends this year. May cotton lost 2 points in the fortnight ending January 7 to close at 34.90 cent Growers were reported to be selling more freely from stoc withheld last year for income tax reasons. There is a move i Congress to increase 1955 acerage allotments from the 18 million acre level set by Agriculture Secretary Benson, and i may be noted that a similar move was successful last year.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—1947-1949, equals 100

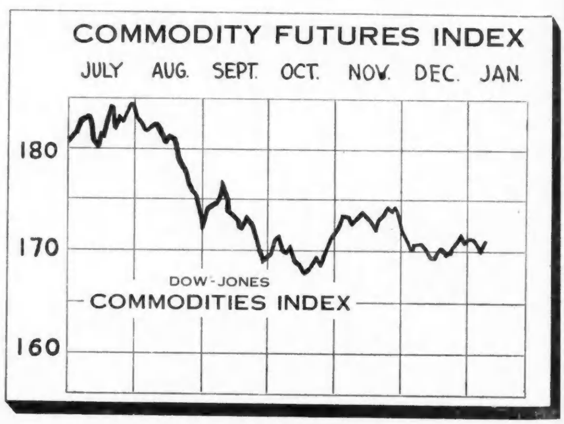
	Date Jan. 7	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	90.9	90.0	90.8	89.1	53.0
9 Foodstuffs	91.0	90.6	92.8	98.2	46.1
3 Raw Industrial	90.6	89.5	89.4	83.2	58.3
5 Metals	99.7	99.1	102.0	86.4	54.6
4 Textiles	85.7	85.0	88.3	88.1	56.3
4 Fats & Oils	68.9	68.0	69.5	72.2	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1954-55	1953	1952	1951	1945	1941	1938	1937
High	154.4	162.2	181.2	215.4	111.7	88.9	57.7	86.6
Low	147.8	147.9	160.0	176.4	98.6	58.2	47.3	54.6



Average 1924-26 equals 100

	1954-55	1953	1952	1951	1945	1941	1938	1937
High	183.7	166.5	192.5	214.5	95.8	74.3	65.8	93.8
Low	167.2	153.8	168.3	174.8	83.6	58.7	57.5	64.7

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. **Give all necessary facts, but be brief.**
2. **Confine your requests to *three listed securities* at reasonable intervals.**
3. No inquiry will be answered which does not enclose ***stamped, self-addressed envelope.***
4. **No inquiry will be answered which is mailed in our postpaid reply envelope.**
5. Special rates upon request for those requiring additional service.

Louisville Gas & Electric (Kentucky)

"Please report recent operating income of Louisville Gas & Electric (Kentucky). Have they shown good stability?" *A. N., Reno, Nevada*

Louisville Gas & Electric Co. (Kentucky) serves Louisville and vicinity. Earnings have shown good stability as evidenced by the following figures: 1951 $3.14 per common share, 1952 $3.31, 1953 $3.28.

Operating revenues of Louisville Gas & Electric Co. (Ky.) and subsidiary company, for the twelve months ended Sept. 30th, 1954, amounted to $39,724,848, as compared with $39,129,841 for the twelve months ended Sept. 30th, 1953. Net operating income, after operating expenses, maintenance, taxes, depreciation, etc., was $7,561,282 for the twelve months ended Sept. 30th, 1954, compared with $7,494,588 for the corresponding period ended Sept. 30th, 1953. Net income, after deductions for all interest charges, amortization of plant acquisition adjustments, etc., for the twelve months ended Sept. 30th, 1954 amounted to $5,768,546, compared with $5,981,083 for the corresponding period of 1953.

For the nine months ended Sept. 30th, 1954, operating revenues amounted to $29,545,170, compared with $29,095,999 for the corresponding period of the previous year. Net operating income for the first nine months of 1954 amounted to $5,614,324, compared with $5,556,797 for the corresponding period of 1953, and net income was $4,208,999 for the first nine months of 1954, compared with $4,436,118 for the corresponding period of 1953.

The balance of net income after deducting dividends on preferred stock for the twelve months ended Sept. 30th, 1954, was $4,692,526, which was equivalent to $3.13 per share as compared with $4,905,063, which was equivalent to $3.27 per share of common stock for the corresponding period ended Sept. 30th, 1953. The balance of net income after deducting dividends on preferred stock for the nine months ended Sept. 30th, 1954, was $3,401,984, which was equivalent to $2.27 per share as compared with $3,629,103, which was equivalent to $2.41 per share of common stock for the corresponding period of 1953.

Construction expenditures for the nine months and the twelve months ended Sept. 30th, 1954, were $13,698,000 and $20,100,000 respectively.

Dividends in 1954 totaled $1.80 a share, the same as paid in 1953. Earnings over coming months are expected to continue their stable trend.

Food Fair Stores

"As I am interested in growth companies, I would appreciate receiving an outline of Food Fair Stores' operations in the past year or so." *S. O., St. Louis, Missouri*

Food Fair Stores, Inc. operates large supermarkets; about 70% of its stores are in Florida, Pennsylvania, and New Jersey. Further expansion is in progress. Past earnings have been relatively stable, but dividends have been rather conservative. A 5-for-4 stock split was made on August 25th, 1954. This company appears to have further good growth prospects.

Food Fair Stores, Inc., achieved new high records in sales, operating profits and net income in the twenty-eight weeks ended November 13th, 1954.

Sales for the period totaled $207,904,723, an increase of 25.31% over the $165,904,810 volume of business recorded in the twenty-eight weeks ended November 7th, 1953. Earnings, after all charges but before Federal and State taxes on income, were $8,039,339, or 32.47% above the previous peak of $6,068,528 attained in the similar period last year.

After all charges and taxes, the company's net income for the twenty-eight weeks ended November 30th, 1954 amounted to $3,947,639. After provision for preferred dividends, this is equal to $1.27 per share on 2,986,930 shares of common stock outstanding, at the close of the period. It is an increase of 39.96% over the $2,820,428, or 89¢ per share earned on the same share basis and last year's twenty-eight week period.

Continuing growth of the Food Fair chain of supermarkets extending along the Atlantic Seaboard from New York to Florida has been contributing to gains in the company's sales and earnings.

Since the close of the company's fiscal year on May 1st, 1954, ten new food department stores have been opened, bringing the total to 203, compared with 168 at this time last year. Present plans call for the addition of at least 15 units by April of 1955 and for the opening of a minimum of 35 units in the fiscal year to end in April of 1956. Warehouse

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1955 Prospects for Leading Industries

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shipyards is not likely to pick up in 1955, except for a possible spurt of contracts which may follow on the successful testing of atomic-powered vessels. However, non-military, commercial ship construction is likely to improve moderately over its dismal record of 1954. In the first place, overseas trade in 1955 is expected to be considerably above 1954, both in terms of exports and imports. This in turn suggests a strengthening in cargo rates, perhaps throughout the world. Foreign trade experts, taking note of the general recovery of foreign economies, improved demand for imports in the United States as a result of recovery in the domestic business cycle, and gradual lowering of trade restrictions as the dollar shortage has eased, all predict an important improvement in overseas trade, with commensurate benefits to shipping and shipbuilding.

MACHINE TOOLS—This feast-or-famine industry has been experiencing lower production, shipments and new orders since the peak of the post-Korean expansion wave. While total business outlays for plant and equipment are off only slightly from two years ago, and while general machinery volume has actually begun to pick up with the recovery in general business, machine tool business closed 1954 on a rather uncertain note, with new orders hanging around the lowest levels of the past four years.

It seems probable that as the present recovery in general business gains momentum in early 1955, the machine tool industry will find its orders and backlogs stabilizing, but a sizeable recovery does not appear in sight at this time. In most metal-working industries, even including the giant automotive industries, machine tool capacity is now ample, and the government now holds an inventory of tools variously estimated in the neighborhood of $1½ billion. In a sense, these tools overhang the market, despite the government's assurances that they are in a "stockpile."

As of the end of 1954, the industry's backlog amounted to about three months' business, as opposed to about six months when the year began, and about nine months in early 1953. Employment in the industry fell by about 25% during 1954. This is part of the normal shrinkage of this vital industry in postwar periods, but it seems probable that by late in the year the industry will have completed an adjustment which will permit it to operate profitably on shrunken volume. However, the swollen profits of earlier postwar years are not expected this year. Fundamentally, however, and for the longer-range, the industry's position is considerably more promising.

PAPER—Paper production in 1954 clung close to capacity throughout the year, despite the recession in general business. Paperboard production, which is usually considered a reliable indicator of general business trends, likewise ignored the recession trend of 1954. And the year ended with the paper industry as a whole in excellent position, with large assured markets, and constantly growing new uses. Moreover, intensified advertising campaigns in the face of the competitive markets expected for 1955 are already blowing up the size of printed advertising media, enhancing the market for magazine papers. And increased pre-packaging of consumer products, notably of food products, is a further support to the paper market.

For 1955, the paper outlook is thus uniformly good. Employment in the industry, which amounted to over 530,000 in late 1954, is swelling; prices of paper products, while competitive, have been firm, and margins very satisfactory. Inventories, which were moderately excessive at several points in 1954, are no longer high. While the industry's gain in 1955 is not likely to approximate those of more intensely cyclical industries such as steel, its performance should be gratifying nonetheless.

TEXTILES—After moderately good business in mid-1953, the textile industry underwent one of its classic slumps, with prices falling to bitterly competitive levels, and with inventory liquidations so pronounced as to send production into a tailspin. By mid-1954, few textile producers, and very few converters and cutters, were operating in the black. Late in 1954 this situation began to remedy itself. Prices recovered moderately (although they are still somewhat depressed, by historical standards) and production volume advanced as inventory liquidations abated.

The recovery experienced thus far, however, represents readjustment from the excess of 1953. Still ahead of the industry is a strong uptrend representing a rising level of textile consumption in the form of apparel, and also in industrial uses. As a result, the current uptrend in the industry, and notably in the industry's price structure, is likely to widen and strengthen as the year progresses, and it now seems probable that 1955 will mark a very strong recovery from the depressed, or non-existent, earnings levels of 1954. This is particularly true of the natural fibres, but it is also true for the synthetics, which have worked their way partly out of the morass of duplicating new products that beset the industry in the last few years. Consumer acceptance of recently introduced synthetics has also been gratifying.

By late in 1954, employment in the textile industries was more than 10% below a year ago, but it had already begun to rise. 1955 employment and production should rival the volume of 1953, and while margins may be somewhat less favorable, profits should make a substantial recovery.

TOBACCO—In 1954, the tobacco industry suffered its second consecutive decline in gross consumption. In this industry, which used to be considered a steady growth situation, cigarette consumption in 1954 actually fell to the lowest devel since 1950, and offsetting gains in other forms, notably cigars, have not been sufficient to offset the cigarette decline.

Most of this decline has resulted, of course, from unfavorable publicity about the health consequences of cigarette smoking. This publicity has had the effect of driving the industry into the filter-tip business on an unprecedented scale, but since the margin on filter tips is generally somewhat higher than on plain cigarettes, profits have not been affected as much as physical consumption. Moreover, margins are relatively high in other forms of tobacco marketing, where volume has continued to rise.

For 1955, a continuation of the present trend sems to be inevitable —that is, a further decline in cigarette consumption, some further

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Keeping Abreast of Industrial and Company News

The Flour Division of **General Mills, Inc.,** has announced development of a revolutionary new "Truck-A-Bin" for use with motor carriers. It promises to establish new standards of economy in the bulk handling of bakers' flours. The system combines the features of a mobile trailer-mounted bulk handling method with those of a portable flour bin that can be adapted to suit the needs of bakers. It is the result of General Mills' long-term study of bulk flour handling and was developed in close cooperation with the **Fruehauf Trailer Company,** world's largest builders of trailers, who will handle the sale and leasing of "Truck-A-Bins" throughout the United States. This product offers remarkable savings in time, labor and capital investment. Its application is not limited to bakers only, but provides the same advantage to macaroni makers and others who can handle flour delivered in bulk.

Directors of **Libbey-Owens-Ford Glass Company** have just approved a $25 million expansion of plate glass manufacturing facilities. This is in addition to the $40 million spent in the past three years. This new work is planned to go forward in 1955 as rapidly as engineering plans can be completed. Improvements planned for the Rossford and East Broadway plants in the Toledo area call for an investment of $21 million in large new facilities aimed to substantially increase productive capacity. This includes a large new melting furnace, grinding and polishing equipment, and additional bending and laminating facilities—the equivalent of a large, integrated plant.

Production of the 1955 Hudson Hornets and Wasps is now under way in the plants of **American Motors Corporation** in Kenosha and Milwaukee, Wisc. Completely restyled inside and out and with the widest choice of power plants in the industry, Hudson cars for 1955 represent the most sweeping model changeover in the company's 46-year history. These cars are equipped with the most modern styling, engineering and latest built-in luxury riding appointments for comfort and convenience including "All-Season" air-conditioning, airliner reclining seats and twin travel beds, optional equipment on standard models except the two door Rambler.

The tiny transistor has made possible the completely tubeless radio receiving set. **Raytheon Manufacturing Company** has recently unveiled a newly developed "8-Transistor" portable radio that is said to out-perform and outlast every conventional radio. This tubeless wonder may also completely change the American consumer's concept of radio use and vastly broaden the radio set market. The new T-Radio is not only a new kind of radio receiver but also the first truly practical application of the "magical attributes" of the transistor to a mass-produced radio device.

Curtiss-Wright Corporation announced it has started manufacturing ultrasonic equipment as a result of its basic research in the field. The Woodbridge, N. J., firm makes products ranging from engines, propellers and other components for aircraft to metal and plastic products for general industry. The new line of ultrasonic equipment will be useful in the fields of quality control, manufacturing, food processing and industrial and scientific research.

Plans to install a new radiation research laboratory in **Diamond Alkali Company's** Research Center at Painsville, Ohio, for investigating potential applications of atomic energy to a wide range of chemical processing operations was announced recently. The new laboratory, representing the latest step in Diamond's steadily expanding program devoted to basic and applied research on new products and processes is scheduled for completion by mid-February. It will further the exploration of the intriguing possibilities presented by harnessing gamma rays for chemical applications, particularly on such reactions as polymerization, oxidation and chlorination.

Little panels make big signs. **Aluminum Company Of America** in producing standard shapes and sizes of aluminum panels are making it easy to erect big tailor-made signs for the Ohio Turnpike. The extruded aluminum panels come two feet wide and in lengths up to 24 feet. They're mounted one atop the other to make whatever height is wanted. For instance, 10 of them would be used to make up a sign 20 feet high. Special aluminum fasteners are used to fasten the panels to the sign post and to each other. About 2440 aluminum signs are being installed on the new 241 mile-long Ohio Turnpike. Alcoa states a 10-by-20-foot sign will withstand a wind of more than 100 miles per hour.

Air Reduction Company recently announced it had awarded the contract for the construction of its vinyl acetate monomer plant to be built at Calvert, Ky. It is scheduled for completion early in 1956 and will be located adjacent to the calcium carbide and acetylene generating plant of Air Reduction's National Carbide Division. The new plant will receive raw material, acetylene, by pipeline from National's plant which in turn will supply Air Reduction's Colton Chemical Company Division, among others, its vinyl acetate monomer requirements. This new vinyl acetate monomer plant will form a key link in Airco's manufacturing chain which begins with basic raw materials and ends with a variety of products having important commercial and industrial uses.

1955 Prospects for Leading Industries

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growth in other forms, and approximate stability in the industry's total earnings. It might be added, however, that the advent of filter tips, as well as king-size cigarettes, has temporarily produced an excessive number of brands, with accompanying inventory and merchandising problems. Clearing this brand glut through the natural processes of competition is likely to be costly, and the short-term outlook for profits is thus not uniform: those companies that gain in the competitive struggle to achieve brand acceptance are likely to do at least as well as in prior years, while others may suffer. —END

An Appraisal of the President's State of the Union Message

(*Continued from page* 493)

confidence. That there has been progress was noted: greater unity and strength among the free nations; unity of purpose, under the UN to divert atomic energy to useful peacetime purposes; realistic approach by congress and the people generally to pay the price of strong protective forces. But there were words of severe warning too: military power backs the determination of Russia to intimidate free nations "on their periphery." The congress was told Russia will not consent to realistic armament limitation, and was cautioned that nuclear weapons are at the disposal of the Reds. To these problems, Ike suggested the protective measures: "We must strengthen the collective defense under the United Nations Charter and gird ourselves with sufficient military strength and productive capacity to discourage resort to war and protect our nation's vital interests. . . . We must expand international trade and investment and assist friendly nations whose own best efforts are still insufficient to provide the strength essential to the security of the free world."

As a natural follow-up to international economic strength, the President came to the subject of "barriers which still impede trade and flow of capital needed to develop each nation's human and material resources." Here the overall propositions of the White House study committee on international trade were formalized: "Wise reductions of these barriers is a long-term objective of our foreign economic policy . . . we must gradually reduce certain tariff obstacles to trade. These actions should, of course, be accompanied by a similar lowering of trade barriers by other nations. . . . We must simplify customs administrations and procedures.... We must facilitate the flow of capital and continue technical assistance."

Defense discussion was prefaced by a claim of many billions of dollars saved last year through efficient operations, without reducing national protection. The need for a strong military was reiterated and "massive retaliation" still was set out as a tactic to be kept in reserve.

The Air Force, the Navy and the Marine Corps are obviously to be the objects of increasing strength, as is the factor of new and more destructive defense weapons—the Army was significantly by-passed. Stockpiling was given major notice. These propositions duplicate last year's recommended measures (as do many other parts of the Message), and place emphasis on aircraft and floating equipment procurement. For all of this, the President took personal responsibility.

Selective Service was proposed for another extension, beyond its June 30 deadline, and the President permitted a peek into his plans to make military service more attractive to volunteers: better medical care for dependents; better pay and benefits; better housing; a modified form of Universal Military Training.

Dramatically set aside in two, one-sentence paragraphs, and then passed by was the topic of much Washington turmoil in 1954:

"We shall continue to ferret out and destroy communist subversion."

"We shall, in the process, carefully preserve our traditions and the basic rights of our citizens."

The need of an industry capable of speedy conversion to defense purposes and ready to produce in quantity was stressed with a request that a two-year extension be voted for the Defense Production Act and Title 2 of the First War Powers Act of 1941. These enactments, not likely to be contested, preserve existing business arrangements between the Pentagon and industry.

A Look at the Economy

The President's plea for a unity of effort and purpose between the democratic congress and the republican White House warned that warring between the two great parties has "produced paralyzing indecision" in less perilous days and cannot be countenanced now. In what he described as "the traditionally bipartisan areas—military security and foreign relations"—Ike anticipated no difficulty; but he said, this attitude must be carried also into supporting programs.

The economic gains encouraged by legislation in the past year, the favorable current position of business and industry, and the more promising outlook for labor, management, and the farmer, were detailed and summed:

"So, today, the transition to a peacetime economy is largely behind us. The economic outlook is good." (An annual national output increase from the present $360 billion to $500 billion within the next 10 years was envisioned.

Already formally announced in earlier White House statements, the President reiterated the need, in his opinion, for this program:

Continued efficiency and economy looking to a balanced budget.

Last year's tax cuts, plus increasing military and other needs, preclude any tax cuts this year. Present excises and corporate levies must stay.

Natural resources must be protected and developed, primarily by private enterprise, but with indorsement of a "partnership" in which private citizens and government join (an obvious reference to Dixon-Yates, but actually paralelling what was said last year.) Notice was served that government-industry pacts arising this year have excellent chance of Presidential backing.

Approval was asked of the Upper Colorado River Basis, six new reclamation projects and 30 to be picked by the Corps of Engineers.

Notice was served on Congress that a large program of highway construction, federally-financed or aided will be reported this month. The lawmakers were urged to keep alive studies looking to a fed-

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An Appraisal of the President's State of the Union Message

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eral transport policy.

With expected 1955 public works programs of more than $12, million, the wisdom of planning for even more comprehensive works was stressed, to be accomplished by federal-state cooperation, supervised by a new office—Coordinator of Public Works.

The President asked that the Benson Plan be allowed to undergo test without disturbing changes; more drought relief measures, and steps to increase farm family income were projected but not detailed.

Continuance of the Small Business Administration was marked "MUST." It expires next June.

General welfare: 35,000 additional housing units to be sanctioned by congress this year; a coordinated program to strengthen and improve health services (special message on this point, Jan. 24); federal health reinsurance; more health facilities with trained personnel; mental patient care; improved services for crippled children; strengthened food-drug laws; drive against stream pollution.

Aid to schools: laid over for detailing in a later message.

Minimum wages: increase from 75 cents to 90 cents an hour.

Taft-Hartley Act: Amendments "to further the basic objectives" (method not suggested), and to "equalize" the requirement for commie disclaimer affidavits.

Federal pay raises: Post Office and non-postal employees must have increased compensation to correct inequities, with higher postal rates to offset some of the cost; better survivor, disability, and retirement benefits for all government personnel; increases for congressmen and federal judges.

The above represents in fairly concise form the outlines of the President's program. How much of this he will be able to accomplish is not easy to tell at this time. Certainly, he has proposed enough to keep Congress busy, not only for the current session, but well into 1956. He will undoubtedly find greatest support on his foreign policies but will meet with some democratic opposition on reducing defense expenditures. He will run into a snag on aid to Asia but he has taken out insurance here by recommending only a one-year obligation for military and economic assistance.

Most of his troubles, if any, will come on domestic issues, with a good deal of opposition from Republicans on the more liberal phases of his program, especially those involving government participation with private industry on public projects.

All in all, his State of the Union Message was dedicated to promoting confidence in the strength and outlook for the nation. From the standpoint of creating a favorable climate for the economy as well, the President achieved a very considerable success.

The Tariff Message

First of the several Presidential messages which will break into segments the Administration's 1955 legislative program, the tariff and foreign trade proposals are assured of a top spot in the year's Capitol Hill controversies.

The President sent no surprise plans to the congressmen; all, he said, result from a fresh review of past steps and objectives. The White House already had officially confirmed that he would ask for a three-year extension of the reciprocal trade agreements program; reductions in tariffs on selected commodities by not more than five per cent per year for three years —on a give-and-take basis; cuts, through multilateral and reciprocal negotiations, of any tariff rates now exceeding 50 per cent, to that level—this, too, to extend over a three-year period; reduction by not more than one-half, over a three-year period, of tariff rates on items not now being imported, or being imported in negligible quantities.

To encourage United States private investments abroad, the President proposed that incomes from such ventures be taxed at a rate 14 per cent below corporate ratals in the United States, and that no taxes apply against blocked or frozen currencies, until they are removed from the country where they were earned.

Also: An International Finance Corporation to encourage private investment in countries needing development "by making loans without government guarantees"; continue Point 4 efforts; encourage foreign travel and increase duty-free entry for returning tourists.

Some GOP split is assured but safe forecast seems that the three-year extension for trade agreements is assured but that tariff cutting powers will have strings attached. —END

Profits Now In Store For Auto Accessory Companies?

(*Continued from page* 517)

company materials-handling business and the outlook for sustained demand for earth-moving equipment warrants retention of the common stock which, at current prices, affords a satisfactory yield on the amply covered dividend of $3 a share annually.

Thompson Products, while continuing to maintain a strong position as a supplier of parts to the automotive industry, has developed comparable strength as a manufacturer of aircraft components, in connection with which one of the latest developments was the start of construction last September of U. S. Navy gas turbine laboratory which the company will operate for testing of jet engine components. In addition Thompson has been picked to produce the highly complicated alternator drive unit for the Boeing B-52, the Air Force's newest super-bomber. Thompson Products is also in an expanding phase of its activities in the guided missile field and is becoming increasingly important in various phases of electronics. At the same time, sight is not being lost of the potentials of the commercial market. In line with this policy, the company has set up a new division whose objective is the further development of its position in the important commercial pump field.

While 1954 first nine months' sales of $203,4 million were down from the 1953 period's $246 million, the decrease reflecting third quarter lower automotive sales as well as lower aircraft products shipments through most of the entire period which was according to schedules, net earnings, aided by income tax savings, increased by approximately $1.4 million to $8.8 million. This was equal to $3.24 a share as compared with $2.75 a share realized in the like 1953 period, giving effect to the

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How a Miracle Became a Kitchen Commonplace

In Grandma's day, food preservation was a sometime thing. Salting, pickling, drying and smoking were effective after a fashion, but foods kept fresh and tasty in the hot summer would have been considered a miracle.

Of course, ice was fairly efficient for keeping foods longer. But ice was a product of nature. In the summer it was scarce and costly. Mechanical refrigeration was still a dream of the future.

In 1834 Jacob Perkins had patented the first practical ice-making machine. By the end of the nineteenth century, ice-making plants had become a familiar sight in cities and towns, and every modern home boasted an "icebox." This was certainly progress.

But there were drawbacks. The icebox held little food. The ice melted. And that meant, more often than not, ice water all over the kitchen floor.

The idea of a *home* refrigerator developed quite slowly. The first ones were crude and costly. They were really just small ice-making plants housed in the old-fashioned wooden icebox. A better material was needed. A material that could be used in mass-production manufacturing. A strong, rugged material that costs little. That material, naturally, was steel.

So the steel home refrigerator came into being. And it has progressed tremendously in efficiency, convenience, economy and appearance. The refrigerator of the early 1920's, in the coin of the time, cost about six times the price of today's handsome models.

Why this better product today—at such low cost?

There are many reasons, of course. But steel—America's great bargain metal—has played an important part.

And it has taken many kinds of steel. Wide, flat sheets with the ductility to shape the case's curves and corners. Strain-free sheets for doors. High-strength strip and sheets for structural members. Wear-resisting steel for moving parts. Special steels for hardware and trim. And, always, with steel's rugged durability, came the fine quality surface that is the base for the bright, smooth, clean finishes. Today, eight out of ten homes have refrigerators—a mass production miracle impossible without modern steels.

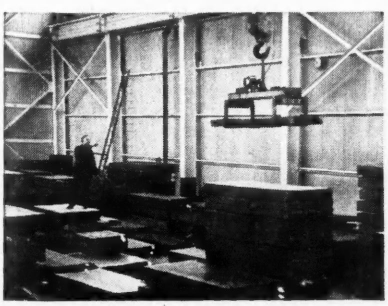
Of course, National Steel does not make refrigerators, but since the beginning, National has been one of the leading producers of the types of steel used in the manufacture of refrigerators and many other home appliances. National Steel research and production men have worked hand in hand with refrigerator manufacturers to provide the precise kinds of steel needed for continual progress. And this progress means not only miracles accepted as commonplace today, but also a steady flow of new and even better products in the future.

This is steel and this is National Steel—one of America's foremost producers of steel.

SEVEN GREAT DIVISIONS WELDED INTO ONE COMPLETE STEEL-MAKING STRUCTURE

Great Lakes Steel Corporation • Weirton Steel Company • Hanna Iron Ore Company • Stran-Steel Division • National Steel Products Company • The Hanna Furnace Corporation • National Mines Corporation

NATIONAL STEEL CORPORATION
GRANT BUILDING PITTSBURGH, PA.



It takes steel—and lots of it—to produce nearly 4,000,000 refrigerators each year. This cold-rolled sheet will be transformed into refrigerator doors.

Only steel will do for handsome, yet rugged, refrigerator doors. This giant press, with a pressure of 7500 pounds, forms the smooth, rounded surfaces.

Here, mass-production miracles are performed—over 2500 handsome refrigerators daily. *Steel* means more products, better products—at lower cost.

Profits Now In Store For Auto Accessory Companies?

(*Continued from page* 536)

two-for-one split-up on last October 15. Although the stock is currently selling within a fraction of a point of its 1954 high, and yields but 2.5 per cent on indicated dividend of 35 cents a share quarterly, the stock should be retained for its long-range potentials and a possible increased return through an eventually higher dividend rate.

Other issues in the group under consideration that should be retained for their well-protected dividends are Timken Roller Bearing, Borg-Warner, and Bendix Aviation, the latter two being particularly favored because of their growth potentials through well diversified activities outside the automotive industry. —END

Prospects for Non-Dividend Paying Stocks

(*Continued from page* 512)

restoration of the cash dividend but this is likely to be much more moderate than the $3 cash dividend plus 5% stock paid in 1953.

NORTHWEST AIRLINES, INC. The company undoubtedly faces specific problems relating to cost control but in view of the growth area through which it operates—the Northwest area of the United States, Alaska and the Orient (through Honolulu)—present relative thinness of traffic should in time give place to greater passenger density. Addition of the most modern type planes in very near future should improve cost control and earning capacity. Regular dividends probably cannot be looked for in the period immediately ahead in view of financial requirements but the company could pay a small cash dividend as recognition of its gradually improving position. The stock may be retained as a speculative commitment.

WESTERN MARYLAND RAILWAY CO. In estimating the dividend potentialities for the common stock of this company, one must be mindful of the pitfalls surrounding the recapitalization plan. However, the substantial progress in earnings is the overriding factor. In view also of the great strides in improving the physical plant and its strategic position, particularly with respect to hauling iron from tidewater and the improved prospects for coal and steel freight, the road would seem to have attained a sound earnings position. In 1955, earnings could be well above the $5.08 earned in 1954. In 1953, it earned $11.61 a share. In any recapitulation plan, it is likely that the rights of common stockholders will be fully preserved as the road has become a strong earnings entity. Pending clarification of the recapitalization plan, dividends cannot be paid on the common but once this is out of the way, there is no apparent reason why the stock (or its equivalent in the event of new securities issued in exchange) would not be in line for dividends. Under these conditions, the stock may be held as offering rather interesting long-term speculative possibilities. —END

Bank Stock Outlook For 1955

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Outlook Still Favorable

Outlook for the stocks of leading banks in 1955 would still appear favorable even though the year 1955 may bring no improvement as spectacular as the recovery of the bond market in '54. This confidence is based on many different factors being recognized by more and more investors year after year.

What, briefly are the reasons for bank stocks winning so many new friends? What is particularly attractive about their past, present, and future?

As to the past, the record of bank stocks for more than twenty years has been one of steady growth in successfully meeting the demands of financing the nation's growing economy, plus the enormous extra burdens of a world war. Banks have shown an ability to offer new services and to open new branches as the need arises. They have been able to keep their expenses under control and to maintain their net earnings.

Many banks now have a widespread distribution of ownership and are favorite holdings among buyers such as investment trusts, pension trusts, personal trusts, and similar funds. These good points have been reflected in market quotations, though sometimes there has been considerable lag as compared with the trading favorites listed on the stock exchanges.

As to the present, the leading banks enjoy a strong and liquid condition. They have built up their capital funds by retaining about half of their earnings since they emerged from the depression of the 1930s. In some cases they have sold new capital stock to shareholders. They have large "hidden reserves" not shown on the published balance sheets, representing profits on sales of securities and profits set aside (with a tax benefit) to care for possible losses on loans and investments.

Numerous mergers combined with consistent growth from within have brought better management and greater specialization, built up over the years and almost impossible to duplicate. The value of this management and trained staff is not shown anywhere on the bank's balance statement, yet might easily be worth as much as the banks' entire capital funds. Another intangible asset is the "Goodwill" represented in their connections with depositors and borrowers—business, banking, individual and government—domestic and foreign. Cost control in the future should be helped materially by further mechanization, applying the new electronic machinery now being developed by the office equipment industry in cooperation with the big banks.

As to the future, commercial banking qualifies not only as an "essential industry" but also, in the view of investment advisers, as a "growth industry". Banking both accompanies and facilitates the country's growth in the production and distribution of goods and services. The large banks are diversified in dealing with all of the other major industry groups, whose rates of growth (or retrogression) individually may be highly irregular. At the same time, the banks' sources of income are also diversified—discount on loans, interest on investments, and numerous service charges, which helps them to stabilize earnings despite constantly changing conditions.

Every one of the 20 largest banks pay a dividend and at current market prices the yields are

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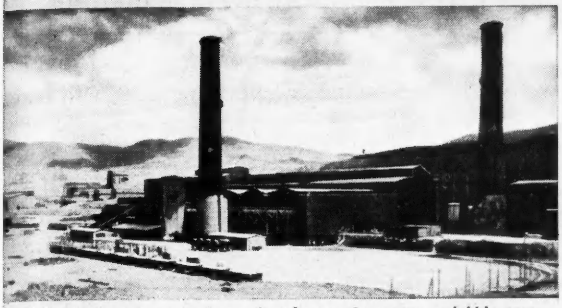
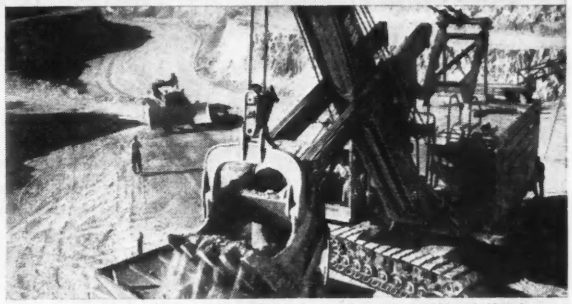
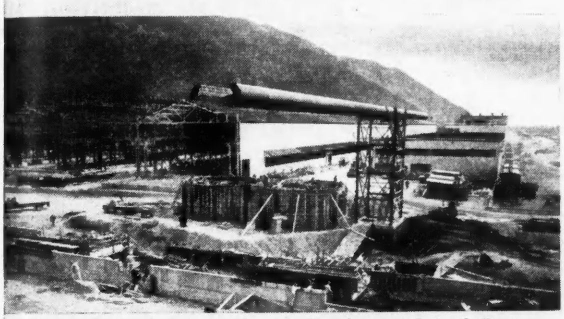
Significant Anaconda contributions to U. S. progress in metals — 1953-1954



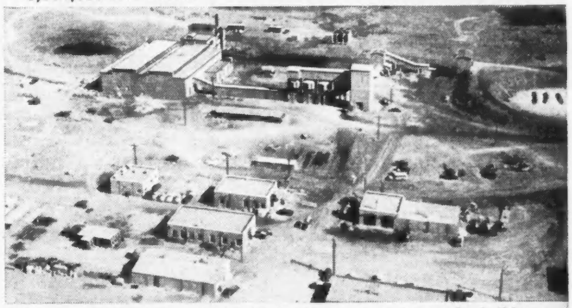
Chile. At Chuquicamata, huge plant for treating copper sulphide ores of Chile Exploration Company—an Anaconda subsidiary—is completed.



Copper. Anaconda's new open pit copper mine at Weed Heights, Nevada, officially opened in November, 1953, is now producing 5,000,000 lb. a month.

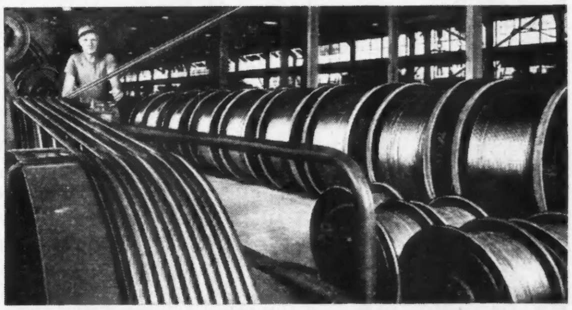


Aluminum. The new Anaconda reduction plant now being built near Columbia Falls, Mont. Scheduled to start production in mid-1955.



Uranium. Working with the U. S. Government, Anaconda builds a processing plant and develops uranium ore properties in New Mexico.

Brass Mills. New pre-formed copper tube grids for radiant panel heating come from The American Brass Co., an Anaconda subsidiary.



Wire Mills. Anaconda Wire & Cable Company expands research and production facilities for turning out its highly engineered line of copper and aluminum electrical conductors.

a new era of copper supply

Today an important fact faces all of us: you can't replace copper with any other metal without losing something. For copper and its alloys have many virtues—high thermal and electrical conductivity, ease of machining, forming, drawing, stamping, plating, welding, fabricating, and a high scrap value.

Since World War II, copper producers like Anaconda have been expanding mining operations here and abroad, developing new ore bodies, and revitalizing many existing mines with new methods.

As a result, the U.S. faces no lack of copper. All the copper we need—for peacetime and preparedness—is there, ready to be mined, refined and fabricated for all the demands of industry.

54294-A

ANACONDA
COPPER MINING COMPANY

The American Brass Company
Anaconda Wire & Cable Company
Andes Copper Mining Company
Chile Copper Company
Greene Cananea Copper Company
Anaconda Aluminum Company
Anaconda Sales Company
International Smelting and Refining Company

Bank Stock Outlook for 1955

(*Continued from page* 538)

relatively uniform averaging 3.8% for the group and ranging in most cases between 3 and 4½%.

With the outlook for business generally to be somewhat higher in 1955 than in '54, and with allowance for the long-term upward trend of population, per capita income, and living standards, it seems inevitable that the demand for credit also should be somewhat higher. If that prospect is confirmed, it should be reflected both in larger loans and in firm interest rates, thereby helping the commercial banks. All this suggests a continuation of the rising net earnings, dividend increases, stock split-ups, and still more mergers initiated by the progressive institutions.

Some Special Situations

Among the country's 20 largest banks, the overall gain in total resources last year was 5.0%. The group located in New York City had a combined gain of 4.9%, while those in other cities had a gain of 5.2%. Most of the latter, however, was contributed by the Bank of America in San Francisco, whose resources rose by $662 million or 7.8% to a new all-time high in excess of $9 billion. Excluding the unparalleled gain by B. of A., the other big banks outside of New York had an increase of 2.5%.

Three outstanding gains among the big New York banks were registered by the Chase National Bank, up $346 million or 6.2%, Bank of the Manhattan Company, up $233 million or 16.2%, and Bankers Trust Company, up $145 million or 6.8%.

Chase National, third largest bank in the U.S., has an unusually stable record of earnings. Last year it reported $4.90 per share, against $3.65 in 1953. The annual dividend was raised from $2.00 to $2.20.

Bank of the Manhattan Company is one of the oldest banks in the U.S., originally having been chartered as the Manhattan Company for supplying the City of New York with water but also having been granted banking privileges by the Legislature in 1799, long before there were any general laws governing the organization and regulation of banks. Today it operates a system of over 50 branches throughout the City. Earnings last year rose from $2.70 per share to $2.90, while the dividend was stepped up from $1.70 to $1.90.

(As we go to press, the long-awaited merger between Chase and Bank of Manhattan, which had been the subject of negotiation for over three years, was finally announced. The resources of the combined banks will be over $7.5 billion, making this the second largest bank in the country and the world. The new name is: "The Chase Manhattan Bank".)

Bankers Trust reflected in its substantial gain last year the aggressive policy both of its head office banking departments and its New York City branch organization acquired during recent years. Earnings rose from $4.17 per share to $4.57, while the dividend rate was increased from $2.20 to $2.40.

All three of these banks are favorably regarded because of their growth possibilities combined with satisfactory current yields. —END

For Profit and Income

(*Continued from page* 525)

Exceptions

A small minority of stocks had the dubious distinction of showing net declines for 1954 as a whole. Examples, with net losses ranging in order from 8¾ points down to 1 point (not mentioning a larger number with fractional declines) were United Biscuit, Pfeiffer Brewing, American Motors, Atlas Tack, Phillip Morris, Lionel Corp., Book-of-the-Month Club, Fajardo Sugar, Kresge, Divco and Cuneo Press.

Certainty

One certainty is that a year hence the list of biggest losers and biggest gainers in 1955 will differ widely from that of 1954. Often changing patterns of selectivity cannot be forecast any great distance ahead, but they can be detected, at least in many instances, before they have gone far, if one closely watches industry and company developments. —END

Answers to Inquiries

(*Continued from page* 531)

and trucking facilities will be enlarged to service the expanded chain.

Food Fair Stores, Inc., operator of supermarkets exclusively, is the nation's fourteenth largest retailer. It is seventh in size among the country's major retail food organizations. Among this group, it leads all others from the standpoint of average sales per store, according to an executive of the company.

Current quarterly dividend rate is 20¢ per share.

Zenith Radio Corp.

"Enclosed please find my check for $20 for renewal of my subscription to your magazine. I wish to take advantage of your personal consultation service with a request for information on Zenith Radio Corp. as to recent earnings, dividends and prospects."

A. H., New Haven, Conn.

Zenith Radio Corp. is one of the largest manufacturers of TV and radio sets, it operates one radio station and an experimental TV station and holds patents on subscription television systems. Competition in the company's industry is keen but prospects over coming months appear satisfactory.

Zenith Radio Corp. reports estimated net consolidated profits for itself and its subsidiaries for the nine months period ended September 30th, 1954 of its current fiscal year amounting to $2,573,954, or $5.23 per share, after depreciation, excise taxes, reserves for contingencies and estimated provision for federal income taxes of $3,166,072.

These profits compared with $4,098,074, or $8.32 per share (after deducting $496,695 on account of a flood loss in June, 1953), reported for the same nine months period in 1953 and $2,576,212, or $5.23 per share, reported for the same nine month period in 1952.

Net consolidated profits for the three month period ended September 30th, 1954 amounted to $1,285,708, or $2.61 per share, after depreciation, excise taxes, reserves for contingencies and estimated provision for federal income taxes of $1,563,406.

This compared with $1,321,844, or $2.68 per share, reported for the same quarter in 1953 and $1,-

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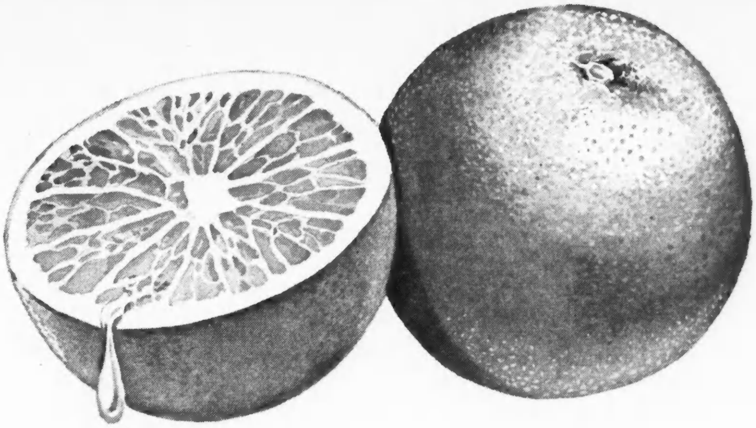

Men of Faith and Genius

(*Continued from page* 497)

great expansion from the end of World War II to date.

At the beginning of this latter period, forward-looking Ralph Cordiner, then vice president of GE, worked closely with Charles E. Wilson, whom he succeeded as president in 1950, in mapping the first phase of the company's expansion. In the four years that followed approximately $400 million was expended for new research and production facilities. To this, under Mr. Cordiner's leadership as president, approximately $691 million was added, including about $165 million this year, to make a giant total of $1,100 million spent in the postwar years for new research and production facilities. All this was accomplished without the necessity of creating a funded debt nor having recourse to bank loans. Looking ahead, GE president Cordiner believes the company's need for expansion will increase even beyond this point. He believes that as the company develops better products and stronger management, and gives decentralized management the responsibility, materials facilities, and manpower to do an increasingly better job for customers, its continued growth in all fields is inevitable.

Ralph Cordiner got his start with GE about 33 years ago when he became an appliance salesman, later becoming assistant manager of appliance sales and subsequently moved up through various managerial positions. Here, obviously, was a man destined for a position of great responsibility.

During the war, the government called him in 1942 to serve as director general of war production scheduling and vice chairman of the war production board. Upon rejoining GE he was made assistant to the president and was elected vice president in 1945.

As GE president, he never forgets that the shareowners have put more than $800 million worth in his company. He believes that as long as GE "knows and serves" customers, and anticipates their needs it will prosper and that this can be accomplished by concentrating on research and engineering to add constantly to the stream of new and wanted products and services for other industries and the consuming public, but always planning and deciding policy in terms of its effect equally on customers, shareowners, employees, suppliers, the public and the government.

Mr. Cordiner is the type of executive who concentrates almost exclusively on his company and its welfare. He has been among the leaders in a progressive labor policy for his company, which assures continuity of operations under the best circumstances. Many other business executives have followed his lead to the advantage of the entire nation.

Patrick B. McGinnis—The president of the New York, New Haven and Hartford Railroad Co., is a very tenacious man. At any rate, he wanted control of this beaten-up road which had been operating for years against the greatest odds, and, after a terrific battle, he succeeded in acquiring control. It is the measure of the man that he should have preferred the almost impossible job of reviving this highly unprofitable system. Mr. McGinnis certainly must have known what he was about for in the brief period since his ascendacy to the presidency last April, things have been humming which proves a hard, driving force like McGinnis—and we have many of them in America—can take a company, almost any company, and bring it to life just as it looked as if it were about to expire.

The president of the New Haven system is no newcomer to railroad operations. Although he graduated from St. Lawrence University with a bachelor of science degree, winning the highest honors in chemistry, his entire business career has been largely devoted to railroads, first as a specialist in the securities of rail transportation companies, and subsequently serving as chairman of the board of directors from 1947 to 1952 of the Norfolk Southern Railway Co. At that time, the Norfolk Southern was threatened with receivership, 1946 operations having failed to produce sufficient earnings to cover fixed charges and contingent interest on its income bonds. The new management headed by Mr. McGinnis took over in 1947, and in that year Norfolk Southern earned fixed and contingent charges by a wide margin and by 1948 the road's common stock, split two-for-one in 1952, was placed on a regular dividend basis. Chalk up a stunning achievement for Mr. McGinnis!

The New Haven Railroad is not strange territory to Mr. McGinnis. Back in 1948 he worked closely with the late Frederic C. Dumaine, Sr., in acquiring control of the road. In the eight months he has held the presidency Mr. McGinnis has given evidence of energetic, experienced leadership in an effort to restore the road to an efficient and profitable operation, furthering, at the same time, the growth and prosperity of the territory it serves. It is on this principle that he is formulating his plans for the New Haven which serves a heavily industrialized territory with a population of 30 million in a section comprising only one per cent of the total land area of the United States.

He expresses his faith in the earnings ability of the road when he says "we have no excuse for not operating profitably." To achieve this goal, it will be "our constant aim to give the shippers and passengers on the New Haven Railroad what they want, to improve services and to reduce costs." Apparently, he looks forward to a consolidation of other roads serving New England with the New Haven. One of the first to be mentioned is the Boston & Maine, 42.5% of whose stock is said to be now controlled by his associates. Such a merger would, of course, be subject to ICC rules and state laws and probably would not be recommended by Mr. McGinnis until the two roads had further improved their credit which in the case of the B & M would likely take two years. In the meantime, the New Haven, with its preferred stock now on a current dividend basis, to the astonishment of many stockholders is contemplating putting its common stock in line for stock dividends of 5% semi-annually, payable in April and October, next.

Ernest T. Weir—At eighty years of age, the National Steel Chairman, remains, as he has been for years, one of the most colorful figures in American industry and one whose views are extremely potent among the steel Big Brass. Like Carnegie, Schwab, Farrel and the other giants of steel history, Ernest Weir, started at the very bottom and, over the years, has mastered every phase of steel making to such a degree that his executives

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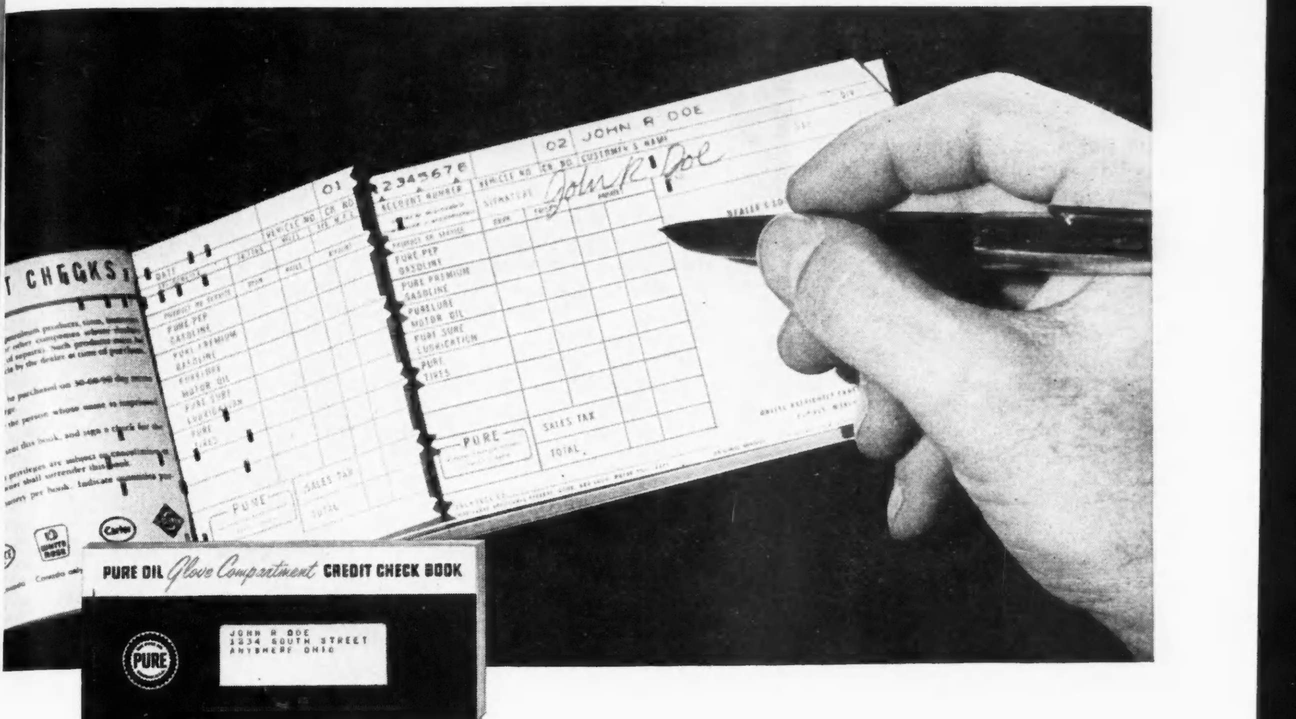
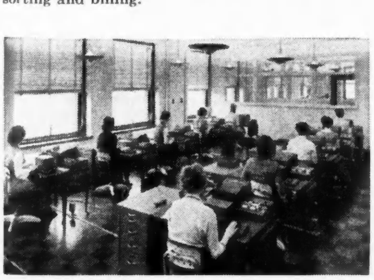


Pure Oil's new CREDIT CHECK system reduces costs, increases sales, pleases customers

"TALENTED" MACHINES—Pure's modern credit department utilizes the latest I.B.M. machines and other equipment, capable of handling volume credit business with speed and efficiency at every stage, from preparation of Credit Check books to final sorting and billing.



TRAINED STAFF—Competent personnel, trained in the intricate skills necessary to the operation of the department's special machinery, keep Credit Check procedures flowing smoothly at all times. The increased efficiency assures prompt customer billing and service, better credit control.

Last April, The Pure Oil Company streamlined its credit system by replacing the old-fashioned credit card with convenient booklets of I.B.M. cards called *Credit Checks*. The many advantages of Credit Checks have made them exceptionally popular with both customers and dealers.

This simplified, more efficient system means increased sales, greater accuracy, lower costs.

There's good reason for the proved popularity of this new program.

FOR THE COMPANY—The Credit Check I.B.M. system expedites handling of volume credit business. Its greater accuracy minimizes errors. And it means increased business . . . more steady customers . . . greater economy.

FOR THE CUSTOMER—PURE Glove Compartment Credit Checks speed up customer purchases, are safe, convenient, and easy to use, and provide a permanent record of car expenses.

FOR THE DEALER—Credit Checks save time in writing up credit business, giving dealer more time for selling and offering improved service. His entire sales operation is simplified.

This forward step in credit handling is another example of Pure Oil's growth.

The Pure Oil Company, 35 East Wacker Drive, Chicago 1, Illinois

Be sure with Pure

THE PURE OIL COMPANY, U.S.A.
PURE

Men of Faith and Genius

(*Continued from page* 542)

dare not make a mistake, no matter how small, lest it fall under the eagle eye of the old chief. They know he will not fail to spot their errors.

National Steel, of course, is today one of the ranking steel companies, but, compared with the other mammoth steel concerns, it met with extraordinary difficulties from the beginning. About half a century ago, when National Steel (Weirton) got its real start, operations were plagued by every conceivable kind of bad luck, from serious accidents in the plant to acute water shortage. At the same time, in the words of Mr. Weir, "We were never more than one step ahead of the Sheriff." A few years later, it was realized that the plant was wrongly situated and that operations would have to be located where it could have its access to its own raw materials, instead of buying them from competitors. After that, came the problem of integrating all the operations which commenced to take form after a long and complicated process of organizing various components into the original Weirton Steel Company which, in turn, swelled into the now-existing National Steel.

All this occurred under the leadership of Mr. Weir who never stopped building his company into one of the giants of the industry—and he hasn't stopped to this day. Although the Chairman's chief interest has been the expansion of his industry, he has also been keenly interested in adopting new and even experimental steelmaking methods. This was particularly notable in the pioneering in tinplate production through the electrolytic process. In any case, the company is one of the most solidly placed in the industry today.

Mr. Weir has well trained the younger executives so that on his retirement, the company may continue to pursue the same progressive policies as in the past. One of his most significant accomplishments in recent years is to show how labor and management can get along together on practical and mutually beneficial lines. The country owes much to Mr. Weir for this accomplishment in particular. This, together with his building of a major American industrial enterprise, is one of the factors contributing to the strength of the American economy, and ranks as the great achievement of a serious-minded and persistent executive.

John Jay Hopkins—"Let us be realistic: The marvels of discovery which have continuously unfolded throughout our past will not abate but will in the future be abundantly manifest. Not, however, to practitioners of pessimism—for pessimism vitiates the creative spirit of the imagination and the shaping power of the will." This is taken verbatim from a recent address by John Jay Hopkins, chairman and president of General Dynamics Corporation. Nothing, except an intimate knowledge of the man gained by association, could give a better insight to his forceful thinking, his confidence in the future, and the courage and will to do and the inspiration he imparts to those working under him. These are qualities which explain in considerable measure why General Dynamics is making industrial history. It is now a leader in two of the most critical and advanced areas of national and global defense—in the air and under the sea—as well as manufacturing products for civilian use.

The core of this organization was the Electric Boat Co., which had its beginning in 1880. In 1942, with submarines in desperate demand, Mr. Hopkins, for several years a director became its vice president in charge of financial and contractural matters. In 1947, he became president of the company. Even before then, however, he began to diversify Electric Boat's activities, loosening the company from its dependency on submarine construction, building a more broadly based industrial structure, enlarging the scope of its activities, increasing its financial strength and maintaining a record of steady return to its shareowners.

As a bold move in this direction Canadair, Ltd., the largest airplane producer in Canada and a participant in that country's guided missile program was acquired. Having a substantial stock interest in Consolidated Vultee Aircraft Corp., Mr. Hopkins, now chairman and president of General Dynamics, the new corporate title adopted in April, 1952, became Consolidated Vultee's chairman and in 1954, brought the latter into General Dynamic's organization to become the Convair Division, a logical joining which added enormously to the diversification of GD's already widespread operations.

Having built the "Nautilus" the first atomic-powered submarine and with a second similar ship on the ways, in addition to producing components for Atomic Energy Commission installations, it is natural that the company is engaged, through its Convair Division, in research and development work leading to the application of atomic power to aircraft, and through its other facilities in the development of industrial atomic reactors. In this connection, Mr. Hopkins recently advocated that there be initiated forthwith—through concrete proposals by American industry to the Federal Government—a 100-year program for the financing, construction, and implantation of such reactors in the underdeveloped and politically unstable nations of the free world so as to maintain a strong competitive position and create vast new world markets for our products.

Amory Houghton—The Chairman of Corning Glass was brought up in the glass-making industry, his great-grandfather having started the company over one hundred years ago. With this background, one might suppose that Mr. Houghton knows all that need be known about glass but this has not prevented his pioneering mind from exploring the possibilities in hitherto entirely unknown uses for glass.

Entirely revolutionary processes have been discovered by Mr. Houghton's scientists. Most significant among them have been that remarkable product, known as "fiberglas" the use of which has prolifierated into many industries. This is a direct product of the magnificent Corning Laboratories, probably the most advanced of their kind in the world. In fact, the experts there are working on new processes and products which probably will not appear for public use for years. The expense involved does not in the slightest concern Mr. Houghton who is the exemplar par excellence of the necessity of research and more research, always looking toward the future.

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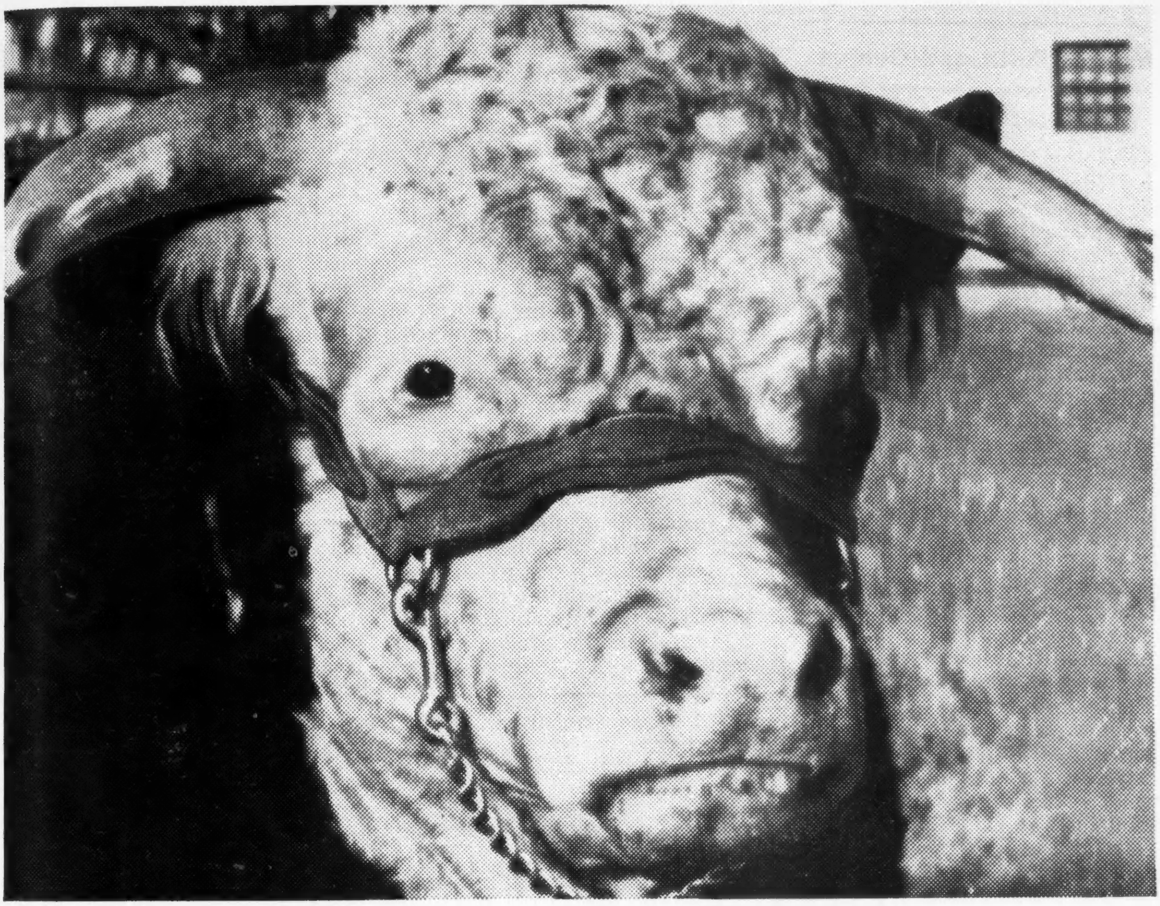

Men of Faith and Genius

(*Continued from page* 544)

Grasping time by the forelock, Mr. Houghton has developed some truly unique products, among the most interesting of which is the "atomic energy observation window," which has earned the gratitude of all the workers in the atomic laboratories and plants, for it protects the operators from the deadly gamma radiation. In color TV, Corning has explored the possibilities and has come up with a solution of a hitherto baffling problem—how to find the right kind of glass envelopes for color tubes. This has helped make color TV possible.

Virtually every field in the most advanced electronics is now touched by Corning products, not the least of which is radar and the ever-more significant computer system.

Behind all this dynamism, is the penetrating mind and driving force of its Chairman. One of the most spectacular among exponents of revolutionary research in the business world, Mr. Houghton is one of the leaders creating a new America.

Leland I. Doan—The president of Dow Chemical has had one of the toughest problems that can face a top industrial executive and that is to meet the onslaught of another aggressively promoted product in competition with his own. In this case, magnesium has had to contend with the ever-growing aluminum industry. Yet, Dr. Doan has always been convinced that whatever merits aluminum possessed—and he agrees they are plenty—magnesium faces a spectacular future and, in fact, is just coming into its own. That is one reason why Dr. Doan has invested $40 million of the company's money in the new huge magnesium fabricating mill at Madison, Illinois.

Magnesium is a field in which quite a number have ventured but only one company—Dow Chemical —has survived. Probably, the answer is the magnificent chemical research corps developed by Dr. Doan and his chief associates. The new uses for fabricated magnesium are growing rapidly and, in the not distant future, looms its acceptance by the automobile and aircraft industries on a broad scale. But none of this would have been possible without the steady hand of its President, urging his chemists and engineers to work in new, uncharted fields.

The secret of future success for magnesium largely depends on finding a way in which the metal can come into better price competition with aluminum. Therefore, the problem for Dr. Doan has essentially been one of reducing costs, as well as finding new uses for this fascinating metal. Judged by the patience with which he has built up this huge company—he started with Dow in 1917 after marrying into the Dow family—he will eventually find a way in which the metal will receive even wider acceptance than it has to-date. This problem is not yet fully solved but when it is, one can look for an exceedingly fast expansion of the industry and that, of course, means Dow which virtually holds a monopoly in the production of this metal. —END

Answers to Inquiries

(*Continued from page* 540)

239,855, or $2.52 per share, reported for the same quarter of 1952.

Consolidated sales of $90,968,-450 for the nine month period compared with $125,762,591, for the same nine months in 1953 and $82,563,305 for the same period of 1952.

Consolidated sales for the quarter of $34,287,041 compared with $43,555,417 for the same quarter in 1953 and $35,637,794 for the same quarter in 1952.

The company was not able to take full advantage of the favorable acceptance of its new line of merchandise during the quarter because of unavoidable delays in getting started into high volume production, which seriously affected shipments during the month of July and August. Despite the rapid acceleration of production in September, sales of television receivers in the quarter was substantially below the same quarter a year ago. In addition, factory sales of radio receivers during the quarter were lower in accordance with the general industry pattern.

Despite the substantial reduction in sales, satisfactory earnings were accomplished in the quarter because of a favorable ratio of higher priced merchandise on which the margins were more satisfactory and through close control of operating costs.

The company's production of television receivers in the month of October established a new all-time record and the management anticipates that despite a high level of production during the balance of the year, it will not be able to fill all of its orders. In addition, price increases on certain models will have a favorable effect on earnings in the fourth quarter.

At this time, the company has no finalized plans for offering color television receivers for sale to the public in the near future.

Sales of the Hearing Aid Division continued at a very high level during the quarter and are expected to establish a new record for the year. The new three transistor "Royal M" hearing aid priced at only $100 has established a new standard and together with the three other hearing aid instruments which the company has available, offers the consumer, according to the company, a good value for any type of hearing deficiency.

Zenith reports an increase in interest on the part of broadcasters, promotors and the general public in Phonevision (the company's various pay-as-you-see-television systems). The idea of a "home box office" to provide the more than 40 million families who will have one day home television receivers with their outstanding exclusive features not available on "free" TV is becoming more accepted by the public each day, according to the company. The above earnings figures are subject to verification by auditors when they make their annual examination at the close of the fiscal year on December 31st.

The $2.00 annual dividend was supplemented by a year-end extra of $1.00 and thus payments in 1954 of $3.00 per share was the same as paid in 1953.

Emerson Electric Mfg. Co.

"I have recently renewed my subscription to your magazine and would appreciate receiving late information in regard to Emerson Electric Mfg. Co. Will you please report recent backlog of business on the company's books, recent earnings and prospects?"

C. S., Long Beach, Calif.

The Emerson Electric Mfg. Co. of St. Louis, Missouri reported a net profit of $1,013,495, after all charges, for the fiscal year ended Sept. 30th, 1954. This compares with a net profit of $1,448,152 for the previous fiscal year ending

(*Please turn to page* 548)

Answers to Inquiries

(*Continued from page* 546)

Sept. 30th, 1953.

Sales in the 1954 fiscal year were $44,718,095 compared with sales of $55,844,449 in the prior fiscal year. Sales of regular commercial products were $33,924,711, compared with $35,398,559 in the previous year. Net sales records were established for fan sales, but a sharp reduction in customer requirements for appliance motors occurred in the last months of the fiscal year, particularly in the air conditioning and refrigeration fields, and this situation caused commercial sales to fall somewhat below the previous year's level. Armament sales, however, dropped sharply to $10,793,384 in the current fiscal year from a volume of $20,445,890 in the previous year and accounted for the greatest portion of the decline in total sales in the fiscal year. This decline in sales of defense contracts was general in the industry and resulted from reduced defense spending by the Government.

Profit before income taxes was $2,213,495 in the 1954 fiscal year compared with $3,310,652 in the 1953 fiscal year. The decline in pre-tax profit was entirely the result of the reduction in armament business. The profit on commercial business was greater than in the prior year, largely because losses in connection with the liquidation of the company's U. S. Electrical Tool Division had substantially affected profits in the prior year. The margin of profit on commercial products was only slightly less than that for the prior year in spite of increased labor and material costs which could not be compensated for by increased selling prices. Cost reductions accomplished during the year were offset by increased cost of labor and material, as well as widespread price reduction in motors, and the effect of the drop in customer demand in the latter part of the fiscal year.

Federal and State income taxes amounted to $1,200,000 compared with $1,862,500 in the previous year when part of the earnings was subject to excess profit tax.

The net profit of $1,013,495 in 1954 is equivalent, after payment of dividends on preferred stock, to $1.90 per share on the 500,000 shares of common stock outstanding during the fiscal year. This compares with $2.90 per share in 1953 on the 478,283 average shares of common stock outstanding during that fiscal year.

As a result of a 20-year 4% unsecured institutional loan for $5 million consummated in June, 1954, the company paid off the purchase money mortgage to the U. S. Government on its Florissant Avenue plant and increased its working capital at Sept. 30th, 1954 to $9,424,262. This compared with $7,266,984 at the end of the previous fiscal year.

The strike of the company's manufacturing and maintenance employees which began Sept. 20th, 1954 was settled on Nov. 26th, 1954. Factory employees returned to work on Nov. 29th, 1954 and operations were almost immediately resumed at levels in effect prior to the strike. Factory operations are expected to be expanded over coming months.

On Dec. 10th, unfilled orders approximated $23 million, about 45% of which is for armament business.

Dividends have been paid at 35c quarterly in 1954, the same as paid in 1953.

Beech Aircraft Corp.

"Please furnish recent earnings of Beech Aircraft Corp., backlog of orders and prospects over coming months."
T. S., Emporia, Kansas

Beech Aircraft Corp. for the fiscal year ended Sept. 30th, 1954 reported total sales of $78,033,435; net income after taxes amounted to $3,386,089; and net earnings after taxes amounted to $5.64 per share. This compares with net sales for the fiscal year ended Sept. 30th, 1953 totaling $140,557,780, including $41,164,150 for termination claim. A loss was incurred, amounting to $2,321,052 equal to deficit of $3.87 per share. In each of the past two fiscal years, operations were based on 599,865 common shares outstanding.

The backlog of unfilled orders as of Dec. 14th, 1954 were approximately $80 million.

During the 1954 fiscal year, dividend payments totaled $1.00 per share in addition to a special dividend of 25c paid in mid-year and thus there was restored the average earnings of Beech stock for the past several years. The 1955 fiscal year for Beech appears to be already off to a good start as the company is busy producing and delivering on scheduled contracts which definitely reflect the general optimism which business and industry have for the year ahead. Considering the current backlog of military and commercial business, total sales for the present fiscal year may well exceed total sales for the past fiscal year. One of the important parts of the company's business is the manufacture of aircraft starting units for jet engines. These are portable, self-contained, high performance, mobile field generators powered by aircraft-type, air-cooled engines, and are designed to be transported by air, if necessary. A recent contract was awarded to Beech by the United States Air Force for additional MD-3 type generators totaling $6 million.

White Motor Company

"Please report recent earnings of White Motor Co., dividend payments and the company's ability to meet the intense competition looming ahead."
C. F., Louisville, Kentucky

Net income of The White Motor Co. for the first nine months of 1954 showed an increase of 6% over the corresponding period of 1953 despite a decline of 7.3% in total sales.

Net income for this large truck manufacturing firm for the nine months ended September 30th, 1954 was $3,380,895, equal to $3.69 a share on 824,687 shares of common stock outstanding at the close of the period.

A year ago, the company had net income of $3,188,643, equal to $4.02 a share on 781,683 shares of common stock then outstanding. The figures are subject to annual audit and year-end adjustments.

Contributing to the decline in net per share this year were the 43,000 additional common shares outstanding resulting principally from a 4% stock dividend in January, and the dividend payments of $335,127 on the preferred stock covering three quarters in 1954 compared with the initial payment of $46,710 a year ago.

The 1954 net income includes substantial amounts of non-recurring income and also substantial amounts of non-recurring expenses, "which it is not practical to segregate."

Sales for the latest nine months total $111,427,026, as against $120,250,382 in 1953. Civilian sales decreased only 2.6% while

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Answers to Inquiries

(*Continued from page* 548)

government business accounted for the remainder of the decline.

The number of new commercial truck units delivered in the first nine months of 1954 was 14.4% below that for the corresponding period of the previous year. On the other hand, commercial service parts and repair labor sales reached an all-time peak in the current nine-month period, recording an increase of 4.3% over the same period of 1953.

The company continued to pare its inventories. A further reduction of $4,275,000 was accomplished in the third quarter, resulting in a total reduction of $9,525,000 during the first nine months of 1954. Approximately three-fourths of total reduction was realized on commercial inventories and the remainder on government contracts and subcontract materials.

From present indications, it is expected that there will be an improvement in new truck deliveries in the fourth quarter. The Autocar sales and service facilities have been completely integrated with the White distributing organization throughout the United States and Canada. This consolidation will enable the company to affect substantial economies in 1955 operations and will provide greatly improved service to the Autocar owners.

The White Motor organization, according to its chief executive, is in a position to meet the severe competitive situation present today "and is confident that the company's strong position in the industry will be maintained".

Dividends in 1954 totaled $2.50 plus 4% in stock. In 1953, the company paid $2.50.

Safeway Stores, Inc.

"I have recently renewed my subscription to your magazine and would appreciate your advice as to retention or sale of Safeway Stores. Please furnish recent earnings and outlook for the company."

C. H., Erie, Penna.

Safeway Stores, Inc. is the second largest grocery chain in this country. There were 2,016 retail stores recently in operation in the United States and Canada and 47 others were under construction and the company expects to add another 222 retail locations over the next 2½ years or so.

Operations are integrated, with warehouses, canning, baking, processing and bottling plants, as well as facilities for preparing meats.

The territories served by this company include some of the fastest growing sections in the United States and Canada. The largest proportion of the company's stores are located in California, Oregon and Washington, where the population has increased very substantially in recent years. Above average gains have also been achieved in Texas, New Mexico, Arizona and Nevada where Safeway has become strongly entrenched.

Consolidated earnings for the 36 weeks to Sept. 11, 1954 showed net profit of $10,076,274, equal to $2.60 per common share based on 3,405,817 common shares outstanding. This compares with consolidated earnings for the 36 weeks to Sept. 5th, 1953 when net profit was $9,786,280, equal to $2.89 per share, based on 2,906,979 common shares then outstanding.

The company was among the first to employ the buy-build-sell leaseback principle instead of tying up capital in real estate.

All shares of the company's 4½% convertible preferred stock were converted into common stock by the holders thereof prior to April 1st, 1954. During April, the company issued and sold 267,000 shares of a new 4.30% convertible preferred stock. The proceeds realized from the sale of this convertible preferred stock were applied to the payment of short-term bank loans. The broadened equity base created by the conversion of the 4½% convertible preferred stock, plus the increased capital funds made available by the sale of the new convertible preferred stock should aid the company in financing and equiping and stocking its new large retail stores.

There is a large amount of senior capital ahead of the common stock in the form of two preferreds and funded debt of $45,600,000.

As earnings on the increased number of shares outstanding are expected to hold close in 1954 to the previous year's earnings of $4.07 per share and the $2.40 annual dividend yields an excellent income return, the shares warrant retention. While competition in the grocery field is intesifying, the company is in a good positi to maintain a satisfactory sa volume and net profit.

Beatrice Foods

"I am interested in a good income p ducer and therefore would like to rece data on operating progress of Beatr Foods."

R. P., Evanston, I

For the three months ended N vember 30th, 1954, the third qua ter of Beatrice Foods fiscal yea consolidated net earnings we $1,041,430 after all charges a federal taxes, equivalent after pr ferred dividends to 78c a share o 1,179,902 shares of common stoc outstanding at the end of the qua ter. This compares with net ear ings of $849,173 and 63c a sha earned in the same quarter of th preceding year on 1,144,913 share of common stock then outstan ing.

Dollar sales for the quarter o $71,710,873 were 2% below sale of $73,094,024 a year ago due t lower selling prices of principa items, such as butter, eggs, pou try, ice cream and milk. However the company sold more product and total unit sales increased 4% over the same period a year ago During the quarter ended Nov. 30 1954, the company had a very satisfactory increase in unit sales o fluid milk, milk by-products, poultry and eggs. Sales for the nine months ended Nov. 30th, 1954 of $218,780,815 compared with sales of $205,684,595 for the same period a year ago.

For the nine months ended Nov. 30th, 1954 net earnings amounted to $3,361,773, equivalent after provision for dividends on the preferred stock to $2.55 a common share, compared with $2,597,85 and $2.14 a common share for the same period in the previous year.

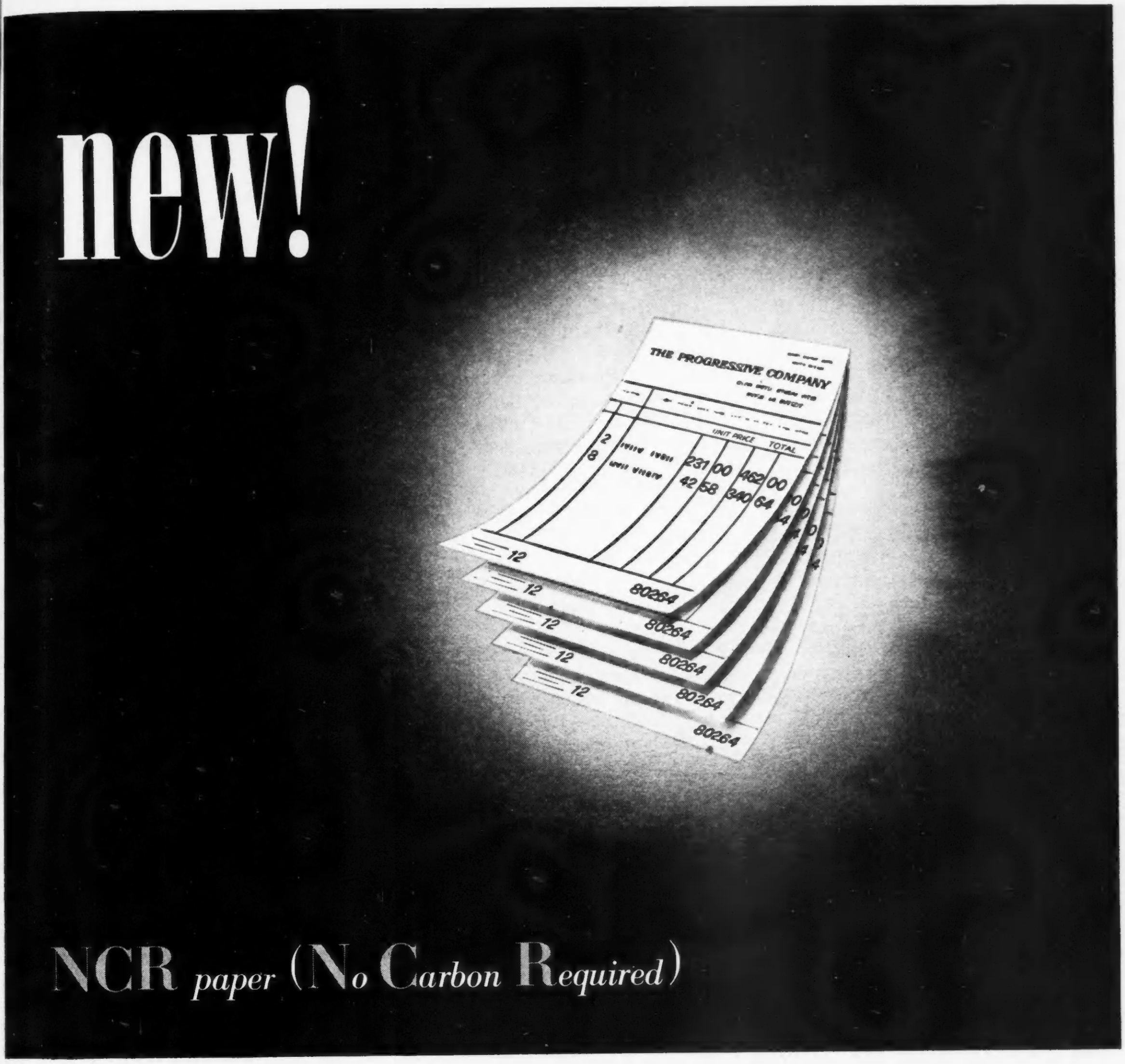
The business is well diversified as its operations include distribution of Birds Eye frozen foods and leading brands of margarine, and the sale of poultry and eggs, as well as its principal business, the processing of fresh milk and milk products.

Dividends, including extra, totaled $2.25 a share in 1954, the same as paid in 1953. As earnings have shown good stability and moderate increases in recent years, and income return has been satisfactory, the shares have a measure of attraction.

Joy Manufacturing Company

"I have been wondering how the

(*Please turn to page* 552)



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Answers to Inquiries

(*Continued from page* 550)

slump in the coal industry has affected operations of Joy Mfg. Co. Will you please supply recent data on the company and dividend payments for the year?"

S. E., Sanford, Fla.

Joy Manufacturing Company is a leading maker of labor-saving mining machinery; a continuous coal miner has been developed. Earnings have been fairly steady from 1951 to 1953 inclusive, reflecting managerial efforts to control labor costs. However, the slump in the coal industry in the past year has adversely affected the company.

Sales revenues for the fiscal year ended Sept. 30th, 1954 were $62,775,000 and net income was $3,647,000, or $4.08 per share.

The comparable figures for fiscal 1953 were sales revenues of $77,776,000 and net earnings of $5,246,000, or $5.89 per share, which included 61c per share refunded from prior years' taxes.

The decline in shipments resulted chiefly from the depressed conditions in the mining industries, especially in coal.

Including the shipments of foreign subsidiaries, the company's total sales revenues for 1954 were $78,888,000 compared with $88,730,000 in 1953. Total profits of the foreign subsidiaries amounted to $625,000 last year and the parent company received $311,122 as dividends, interest, and fees from these foreign operations.

The company plans raising the debt limit from the present $10,000,000 to $20,000,000. The company is following a program for the development of additional new products, and for further diversification and broadening of its markets. An increase in debt limit is desirable for greater flexibility in the prosecution of this program, according to the president of the company.

Capital expenditures totalled $1,315,000 for the last year and the company plans to spend approximately $3,500,000 in fiscal 1955 for the improvement and expansion of manufacturing facilities.

The last quarter of fiscal 1954 year when bookings of incoming was the first period during the orders exceeded shipments. The company expects through fiscal 1955, a gradual increase of sales, to which new products will make a nimportant contribution.

The company's labor-saving equipment is finding wider acceptance in other industries besides coal.

Dividends in 1954 totaled $2.50 per share. This rate is expected to continue.

Columbus & Southern Ohio Electric Co.

"As Columbus & Southern Ohio Electric yields a good income return, I would be interested in receiving late earning data and whether the dividend appears to be secure and also prospects for this utility."

D. F., Canton, Ohio

Most of the revenues of Columbus & Southern Ohio Electric are derived from servicing the area in Columbus and vicinity. The development of Atomic Energy Commission's new project near Piketon, Ohio near the company's area should stimulate business in this territory.

The company reported gains in operating revenues of 9% and 7%, respectively, in three months and twelve months ended September 30th, 1954.

Net income for the latest quarter amounted to $1,281,342. This is equal after preferred dividends to 44c for each of the 2,401,360 common shares now outstanding, which includes 200,000 additional shares sold in September. The showing compares with the net income of $1,270,405 earned in the corresponding 1953 quarter, or 53c a share on the 2,001,360 common shares outstanding at the end of that period.

For the twelve months ended September 30th, last, the company earned net income of $5,369,295, or $1.88 a share on present stock, compared with net income of $5,410,703—$2.27 a share earned on the smaller amount of stock—reported for the preceding twelve months.

Kilowatt hour sales of electricity for the twelve months ended September 30th, 1954 increased 6% over sales for the preceding twelve months, and a new high one hour demand of 368,000 kilowatts was set in August of 1954. During the latest twelve months the company added more than 11,000 new customers to its lines, an average use of electricity per residential customer increased by 8.7%.

Through sale of the 200,000 new common shares last September and sale of $10 million first mortgage bonds in October, Columbus & Southern Ohio Electric Co. obtained approximately $15,900,000. A portion of the net proceeds was used to liquidate bank borrowings and the remainder will be applied to financing the system's construction program, currently estimated to approximate $50,000,000 for the next three years.

Net income of the Columbus Transit Co. subsidiary amounted to $123,000 for the twelve months ended Sept. 30th last.

Dividends in 1954 totaled $1.60 a share, against $1.45 paid in 1953. Earnings are expected to show a moderate increase in 1955. Dividend is expected to continue and the yield is excellent. —END

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— A Special Feature —

3 Most Attractive Stocks

in

8 Important Industries

Under

Present Market Conditions

Can Aircrafts Maintain Boom Earnings?

(*Continued from page* 511)

for Boeing, with per share going above the conservatively estimated $11 the company should show for 1954. Since its rapid market advance following the two-for-one split last May that carried the issue to a 75 high, it has backed off to a current price around 72½ at which level it cannot be considered over-priced. On the basis of last years total dividend distribution of $2.62½ a share the yield is 3.6%, but this is likely to be improved by a more generous payout considering earnings results achieved in 1954 and the good 1955 outlook.

In the nine months to last August 31, *Douglas Aircraft* compiled an earnings record surpassing anything it has shown for any full year in its history. On net sales of $699.5 million, $67.3 million greater than in the corresponding months of 1953, net earnings totaled $28.1 million. This was $9.6 million more than Douglas reported for all of the 12 months ended November 30, of the previous year and was achieved without the aid of lower income taxes. On the contrary, any benefit realized through the demise of the excess profits tax were offset by an increase of approximately $3.6 million in the normal tax paid. Nevertheless, net earnings for the 1954 abbreviated period more than doubled those for the nine months to August 31, 1953, being equal to $11.46 a share, as compared with $5.54, adjusted to the May, 1954, 2-for-1 split, for the first nine months of the 1953 fiscal year. Because of an anticipated reduction in delivery schedules for the final quarter, it is estimated earnings for that period are not likely to have run much better than $3.50 a share, but net, even at that rate, would mean a net profit of just under $15 a share for the stock.

As of September 30, last, Douglas had a backlog totaling $1,953 million. Of this amount, approximately $1,777 million represented military business, the balance being commercial orders, the bulk of which are for the DC-7, Douglas' newest development in passenger transport, introduced in 1953 and now being used by nine major airlines on their choicest flights. This backlog, about equal to two years' shipments on the basis of 1954 fiscal year volume, could conceivably be materially increased as the Air Force, as is expected, steps up requirements. Because of its excellent diversification and continuous progress in developing more advanced plane models, Douglas appears to be in a good position to get sufficient new business to hold production at a high level for sometime to come.

The company's shares have scored a very large gain in market value in recent months, moving up from around 85 last November to a high in the month of January, 1955, at 130¼. For the more conservatively minded holders of Douglas, the current price of 127½ affords an opportunity to at least reduce their holdings with a profit, although the more speculatively inclined may be tempted to "stand pat" with their shares, anticipating a duplication in 1955 of 1954 dividend payments

(*Please turn to page* 554)

Can Aircrafts Maintain Boom Earnings?

(*Continued from page* 553)

amounting to $6.50 a share, adjusted for the stock split.

Record sales and net earnings are indicated by *General Dynamics* for the fiscal year ended last December 31. In the first nine months of that period net sales of all divisions, including Convair ((Consolidated Vultee Aircraft), and Canadair, Ltd., GD's Canadian subsidiary, totaled slightly more than $431 million. Although this sum was about $300,000 above net sales for the first nine months of 1953, the corporation revealed a substantial lowering in costs which was reflected in operating profit rising by almost $5 million, or from $23.2 million for the first nine months of 1953, to $28 million for the first nine months of last year. This gain was offset by about $2 million higher U. S. and Canadian income taxes, with the net gain in net income for the 1954 period amounting to approximately $3.5 million, bringing the final figure to $12.8 million. This was equivalent to $6.17 a share for the common stock outstanding at the end of September, as compared with net income of $9.3 million, or $4.46 a share in the first nine months of 1953.

General Dynamics entered the final quarter of the calendar year with a backlog of firm orders, contracts and letters of intent, totaling approximately $923 million, in addition to which its contracts under negotiation at that time approximated $410 million. Included in this backlog are orders on Canadair's books for F-86E "Sabre" jets, and T-33 "Silver Star" jet trainers. At the same time the Canadian subsidiary continues with preliminary engineering and tooling for the maritime reconnaissance version of the Bristol Britannia for the RCAF, and expects to have a mock-up for its four-engine military aircraft ready for review early this year.

Convair Division of General Dynamics which startled the aviation world with its XFY-1 "Pogo-Stick" vertical take-off Navy fighter a few months ago, continues in production on the F-102 supersonic interceptor for the Air Force, and the Convair 340 navigator-bombardier trainers, an evacuation plane. One of its more recent contracts is for limited production of B-58 supersonic jet bombers. The Division is also completing a limited number of large water-based turbo-prop transports for the Navy, and building several experimental turbo-prop transports for the Air Force. Meanwhile, Convair continues research and development on nuclear powered aircraft and high-speed water-based jet fighters, and is pushing important development and production programs on guided missiles.

At Groton, Conn., Dynamic's Electric Boat Division is constructing "Sea Wolf," the second nuclear-powered submarine, and has only recently laid the keel of a new, conventionally-powered attack submarine for the Navy which has announced its intention to award Electric Boat a contract to design and construct a third nuclear-powered submarine.

Considering General Dynamic's broad diversification in many phases of guided missile, aircraft, submarine, nuclear and electronic fields, all vital in the nation's defense program, 1955 operations should pull net sales ahead of 1954 estimated volume of $600 million, with net earnings surpassing the $750 a share estimated for 1954, after giving effect to the conversion of all the preferred stock which was called for redemption of December 17 last. Currently selling at 78, the stock on indicated $4 annual dividend, yields 5.1%. —END

While the three companies mentioned above have been among the leaders with respect to earnings increases last year, substantial percentage increases will be found among other leading manufacturers. This is indicated in the accompanying table which gives a comparison of 1953 and (estimated) 1954 earnings. Most of the outstanding gains in earnings were due to two factors: (1) savings through the ending of the excess profits tax and (2) reduction in outlays incidental to preparation for new types of production. Where percentage gains in earnings were smaller, it will be found that the excess profits tax was not a substantial item in earnings of previous years.—END

The Trend of Events

(*Continued from page* 488)

tion has placed in their way should be swept aside. Congress will have a good opportunity to achieve this objective through appropriate legislation that will be proposed during the course of this session.

DIVIDEND OUTLOOK . . . While total corporate profits, before taxes, dropped about 14% in 1954 as compared with 1953, the reduction in tax liability sustained net profits. As compared with 1953, the past year showed a drop of only about 7% in profits, after taxes. However, most of the decline was registered in a few groups such as railroads, textiles, and merchandising, the manufacturing group, as a whole, coming through with its net margin practically intact. The public utilities also maintained their profit margin. It is clear, therefore, that from the standpoint of net profits, 1954 proved to be a much better year than was anticipated at its beginning.

On the basis of this record, it is not difficult to see why dividend payments continued at high levels. In fact, the $9.4 billion of dividends in 1954 exceded those paid in 1953 by about $400 million. It is now anticipated that dividend payments in 1955 will exceed even those of 1954 but by a smaller margin than last year's increase. The estimate is $10 billion in dividends. This would be the first time in history that this figure was reached.

It is significant that the percentage of earnings paid out in dividends, in 1954 increased to the highest levels in ten years. In 1954, the payout dividend was 56% comparing with 35% in 1948. This represents a great change in the attitude of directors which is now much more liberal than a few years ago.

Up to 1954, the percentage of retained earnings remained exceptionally high owing to the increasing need for capital expenditure which had to be provided for, at the same time maintaining working capital at adequate levels. But capital requirements are now somewhat less and the additional sums available have facilitated the payment of moderately higher dividends. At the same time, owing to more favorable depreciation allowances, corporations are able to retain a considerably larger amount of cash in their treasuries.

The 56% of earnings paid out in dividends in 1954 is still a rather conservative ratio as compared with the normal 60-65% of the 1920's. If, as seems likely, business remains on a high plateau this year, it would seem that the percent of dividend payout can be increased somewhat further, particularly in view of the extremely comfortable liquid position of most corporations. Stockholders who have been complaining that they have not been receiving enough consideration from the directors of their companies in past years, in all likelihood, will be better pleased by their dividend receipts this year.

DOUBLE TAXATION ON FOREIGN INVESTMENTS . . . The United States Government now actively supports a policy to stimulate a freer flow of private investment capital abroad. This has the double purpose of aiding American business interests who wish to expand their foreign activities under more favorable auspices than have prevailed and to enable foreign concerns to operate more freely in this country. The entire purpose, of course, is to stimulate world trade which, obviously would be of benefit to the free nations.

Most particularly, the United States government wishes to encourage American capital to venture into the under-developed countries. The President has just underscored this in his Tariff Message. This has a political as well as economic purpose, since increased strength in economic conditions in those regions would materially assist in the world-wide struggle against communism.

One of the chief deterrents to private investment abroad has been the long-standing liability to double taxation. Under American law, all individuals are taxed on income, regardless of origin. But with respect to income de-

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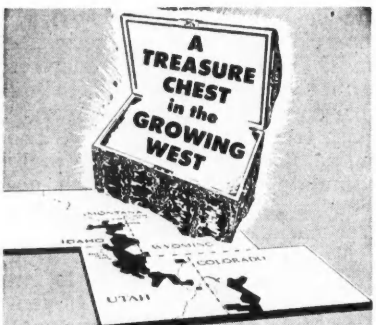

The Trend of Events

(Continued from page 555)

rived from foreign investments, unless American interests are specially protected through treaty, they may find themself subject to a double tax, one, to the U. S. Treasury and, two, to the country in which their foreign investments are located. In some cases, the double tax can easily equal or exceed the income. Under the circumstances, it is not surprising that American capital should be chary about assuming risks in investing abroad.

To ameliorate this condition and to eliminate the manifest injustice which arises when its business concerns and investors are subject to a double penalty, the U. S. Government, in recent years, has negotiated special tax treaties with a number of governments. Sixteen such treaties are now in effect, the latest being the one signed last month with West Germany. Negotiations are now under way with Argentina for a similar tax treaty.

As the world's largest creditor nation, it is increasingly incumbent for this nation to export capital. Unfortunately, the conditions under which such enterprise capital could be employed without incurring abnormal risk have been discouraging. Therefore, the new moves of the Government, which are entirely businesslike, are bound to be especially welcome as they are effective agents that will help to create more advantageous conditions for private American investment abroad. —END

BOOK REVIEWS

FINANCIAL PUBLIC RELATIONS:
For the Business Corporation

By HERMAN S. HETTINGER

Here is the first complete guide to public relations principles and procedures in finance. On whom should the program be focused? How should periodic and annual reports be prepared? What information should such reports contain and how should they be distributed? What is the role of the press in a financial public relations program? To such questions this book provides concrete answers designed to key business policy with the requirements of stockholders and the financial community in general.

Mr. Hettinger describes various means to bring continuing information before the business public. Right and wrong ways of preparing and releasing reports, news stories, and other material of financial interest are discussed in detail.

Harper $3.50

Moonscape and Other Stories

By MIKA WALTARI

Although Mika Waltari is best known everywhere for his historical novels, he has enjoyed great success in his native Finland, and also in Sweden and Germany, with his novelettes and short stories in many and varied moods. This volume is a representative collection of his best work of this sort. The background and characters are usually Finnish, but the viewpoint is universal. As might be expected, the author brings a rare quality of understanding to these adolescents, bohemians, prostitutes, and will recognize these people and will aperrant businessmen. Readers anywhere preciate the skill with which Mr. Waltari reveals their frailties and their dreams.

The settings range from the beautiful Finnish countryside to the slums of Helsinki, the characters from a young business man who rebels against the drabness of his life to a confessed but unrepentant murderess, the mood from a wistful sadness to a grim humor that will recall to many readers episodes in *The Egyptian* or *The Adventurer.*

The one thing always in evidence, and the unifying force of the book, is Mr. Waltari's complete mistery of his craft as a writer. Whether he is writing tragically of a young girl facing death from tuberculosis, who is trying desperately to arouse an answering passion in the man she loves before she dies, or in the political vein of an attempt to assassinate the dictator of a neighboring country, Mr. Waltari is always the master of his characters, his plot, and his style. Altogether, these five stories not only show the author as one of the outstanding European writers at work today, but also make engrossing reading.

Putnam $3.50

The Intelligent Investor

By BENJAMIN GRAHAM

When *The Intelligent Investor* first appeared a few years ago it won unreserved praise from financial authorities. Both professionals and amateurs interested in investing their funds for security, growth, and adequate return looked to *The Intelligent Investor* for guidance.

Now Benjamin Graham, in line with his own advice that investment theory and practice must be constantly adapted to the changes in economic climate, has extensively revised his book. This new edition reviews the changes that have taken place in recent years and analyzes in retrospect the author's previous counsel. On the basis of past experience and current economic conditions, he offers his conclusions as to the soundest policies for investors to fellow in the years immediately ahead.

The book takes into account the needs of both the "defensive investor," concerned with protecting capital and obtaining a reasonable income return, and the "enterprising" investor, interested primarily in capital appreciation. It outlines the principles of security analysis and stock selection for each type of investor, and stresses throughout the advantages of a simple portfolio policy.

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Market Weighing Early 1955 Earnings Trend

(*Continued from page* 491)

the over-all economic picture then prevailing, it was obvious that earnings would decline in the first quarter and that this tendency probably would repeat itself in the second quarter.

This year, the situation is somewhat reversed. Latest production indices which have been moving up during the past few months, and which appear to be headed higher, offer a good basis to expectation for higher sales and, probably, a better pre-tax profit margin. This is only a near-by estimate, however, and good only for the first and, possibly, the second quarters. Nevertheless, it suggests that the business factor in sight is encouraging.

But, of course, there have been many occasions in the past where a favorable economic background has not prevented good-sized technical adjustments in the price of stocks. In any case, the period ahead would seem to call for the highest degree of discrimination. Whether or not the 1955 stock market will offer as plentiful opportunities for appreciation as the one last year, it is at least logical to believe that the year 1955 will call for more conservatism in individual selections and iu portfolio management, generally.—Monday, January 17.

—END

As I See It!

(*Continued from page* 489)

foreign capital cannot afford to operate. In Indonesia, for example, the economic deterioration of the country, from which the communists are profiting, can be traced to a hostile attitude otward Dutch businessmen and capital.

Because of his ignorance and poverty, the average Asian has little understanding of or concern about communist aims. The average German or Frenchman, when he listens to an anti-communist argument, can evaluate its worth. But it is more difficult to persuade the landless paddy worker in Vietnam or the worshipper of a monkey-god in India that democracy—which he has never actively enjoyed – is preferable to communism.

What all this means is that it will take time and patience to persuade the average free Asian that his former colonial "bosses" mean well. Overzealousness to enlist the Asian in the fight against communism may do more harm than good. Anything that smacks of the Asian fighting the white man's battles is likely to be resented by Asian nationalists; it is said that even so potentially powerful an anti-communist leader as Ramon Magsaysay in the Philippines must fight any appearance of being an American "puppet." Nor is American spending especially when the spending is for military hardware, a particular help to the eastern cause.

It should be apparent that this is not to be taken as a criticism of careful and constructive economic aid. It is essential to remember that in Asia the real struggle with the communists will be economic, and that it is on this phase of the struggle that our efforts must be concentrated.—END

BOOK REVIEWS

The Age of the Moguls

By STUART H. HOLBROOK

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Stewart Holbrook has written a brilliant and wholly captivating study of the days when America's great fortunes were built; when futures were unlimited; when tycoons trampled roughshod across the land. Few writers today could range backwards and forwards in American history through the period of the last hundred years, could take their readers to a dozen different sections of the country, or could combine the lives of over fifty famous men in such a way as to produce a continuous and exciting narrative.

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The Iron Maiden

By EDWARD LANHAM

In *The Iron Maiden* Edwin Lanham has written his richest and most important novel. It is the story of what happens on a large metropolitan daily newspaper when a dynamic, glamorous, and ruthless woman marries the young owner and takes command.

When Carolyn Brown first came to the New York *Record-Star*, it was Roy Durkin whose approval she most wanted. Durkin, the toughest city editor in the business and one of the most respected, had come up the hard way and he knew a good reporter when he saw one. But even when he gave Carolyn her first by-line, it didn't seem to satisfy her. And now she had married Andrew Morton, the founder's grandson.

No one at the *Record-Star* wondered *whether* Carolyn would run the paper, but *how*. Would she make Roy managing editor? What would happen to the other members of the staff whose lives and emotions had been involved with hers–like Mark Fielding, the famous European correspondent; Johnny Vincent, who still worshipped her from afar; reporter Sally Marshall, her former roommate; and Stan Chapman, chief of the Washington bureau? No one knew that the answers were all connected with an of Carolyn's new reign–until Roy Dur- obscure suicide item filed on the first day kin discovered that it held the revealing clue to her past.

The Iron Maiden is a superb re-creation of the daily life and death of a great newspaper. In authenticity of background, in skilful characterization, in narrative interest, Edwin Lanham's big and exciting novel compels the reader's fascinated attention from beginning to end.

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H—Du Pont
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3—COAL MINING
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L—Lehigh Valley Coal
L—Phila. & Rdg. C. & I.

4—COMMUNICATION
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L—Int. Tel. & Tel.
H—Western Union

9—CONSTRUCTION
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L—Certain-teed
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Flintkote
H—Johns-Manville
H—Lone Star Cement
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H—Otis Elevator
L—Walworth

7—CONTAINER
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H—Container Corp.
H—Cont. Can
L—Crown Cork
L—Gair
L—Nat. Can
H—Owens-Ill. Glass

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L—Cons. Copper
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H—Kennecott
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H—Phelps Dodge

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National Dairy

6—DEPARTMENT STORES
H—Allied Stores
Associated Dry Goods
H—Federated
L—Gimbel Bros.
Macy
Marshall Field

5—DRUGS—ETHICAL
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Parke Davis
Pfizer
L—Schering

6—ELECTRICAL EQUIPMENT
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H—Cutler Hammer
L—Emerson Elec.
H—General Electric
Square D
H—Westinghouse

2—FINANCE COMPANIES
C. I. T.
H—Commercial Credit

6—FOOD BRANDS
H—Best Foods
H—Corn Products
H—Gen. Foods
L—Libby McNeill
Stand. Brands
L—Stokeley-Van Camp

3—FOOD STORES
Food Fair
H—Kroger
Safeway

4—GOLD MINING
L—Alaska Juneau
L—Benguet
Dome Mines
H—Homestake

4—INVESTMENT TRUSTS
Adams Express
Atlas Corp.
H—Lehman Corp.
Tri-Continental

3—LIQUOR
Distillers-Seagrams
Nat. Distillers
Schenley

9—MACHINERY
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H—Babcock & Wilcox
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Bucyrus-Erie
H—Caterpillar
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Foster Wheeler
L—Gar Wood
Worthington Corp.

3—MAIL ORDER
H—Montgomery Ward
H—Sears Roebuck
L—Spiegel

4—MEAT PACKING
L—Armour
L—Cudahy
H—Swift & Co.
L—Wilson

5—METAL FABRICATING
Bridgeport Brass
General Cable
Mueller Brass
H—Revere
Scovill

10—METALS, MISCELLANEOUS
Am. Smelting
L—Am. Zinc
L—Callahan Zinc
H—Climax Molybdenum
H—Int. Nickel
L—Pacific Tin
St. Jos. Lead
L—Sunshine Mining
L—United Park City
Vanadium

4—PAPER
H—Crown Zellerbach
H—Int. Paper
St. Regis
H—Union Bag

22—PETROLEUM
Atlantic Refining
H—Cont. Oil
H—Cities Service
H—Gulf Oil
H—Houston Oil
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Ohio Oil
L—Panhandle P. & R.
H—Philips Pet.
Plymouth Oil
H—Pure Oil
Richfield
H—Shell Oil
Sinclair
Socony
H—Stand. Oil Calif.
H—Stand. Oil Ind.
H—Stand. Oil N. J.
Stand. Oil Ohio
L—Sunray
H—Texas Co.
Tide Water Assoc.

22—PUBLIC UTILITIES
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Cent. & S. W.
H—Cleveland Elec.
L—Columbia Gas
Commonwealth Ed.
H—Cons. Edison
Consumers Pr.
Detroit Ed.
L—Laclede Gas
L—L. I. Lighting
Middle So. Utils.
L—New Eng. El. Sys.
Niag. Mohawk Pr.
L—Northern States Pr.
Pac. Gas & Elec.
Penn. Pr. & Lt.
L—Potomac Elec. Pr.
Pub. Ser. E. & G.
L—South Carolina E. & G.
Southern Calif. Ed.
L—Southern Co.

7—RAIL EQUIPMENT
A C F Inds.
L—Am. Locomotive
Am. Steel Foundries
L—Baldwin Lima
H—Pullman
L—Symington-Gould
Westinghouse Air Brake

20—RAILROADS
H—Atchinson
H—Atlantic Coast
B. & O.
C. & O.
L—Chi. Milw. St. P. & P.
H—D. & H.
L—D. L. & W.
L—Erie
H—Gt. Northern
H—Ill. Central
H—Kansas City So.
L—Lehigh Valley
N. Y. Central
H—North. Pac.
Penn. R. R.
St. L.-San Fran.
H—Seaboard Air Line
H—So. Pac.
H—So. Ry.
H—Union Pacific

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H—Coca-Cola
L—Pepsi-Cola

11—STEEL & IRON
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H—Armco
H—Beth. Steel
L—Colo. Fuel & Iron
L—Gt. Nor. Ore
L—Interlake
Jones & Laughlin
H—Nat. Steel
H—Republic Steel
H—U. S. Steel
H—Youngstown Sheet

4—SUGAR
Am. Crystal
L—Cuban-American
West Indies
L—Vertientes-Camaguay

2—SULPHUR
H—Freeport
H—Texas Gulf

10—TELEVISION & ELECTRONICS
Admiral
L—Emerson Radio
L—Magnavox
Motorola
Philco
R. C. A.
L—Raytheon
L—Sparks-Withington
Sylvania
H—Zenith

5—TEXTILES
H—Am. Viscose
L—Burlington Mills
Celanese
L—Textron
L—United Merchants

3—TIRES & RUBBER
H—Goodrich
H—Goodyear
U. S. Rubber

5—TOBACCO
H—Am. Tobacco
H—Liggett & Myers
L—Lorillard
Phillip Morris
H—Reynolds Tob. "B"

2—VARIETY STORES
Kresge (S. S.)
H—Woolworth

15—UNCLASSIFIED
L—Am. Bosch
L—Am. Hide
L—Avco
L—Continental Motors
L—Curtis Pub.
H—Eastman Kodak
L—Fawick Corp.
L—Greyhound
L—Newport Inds.
L—Pitts. Screw
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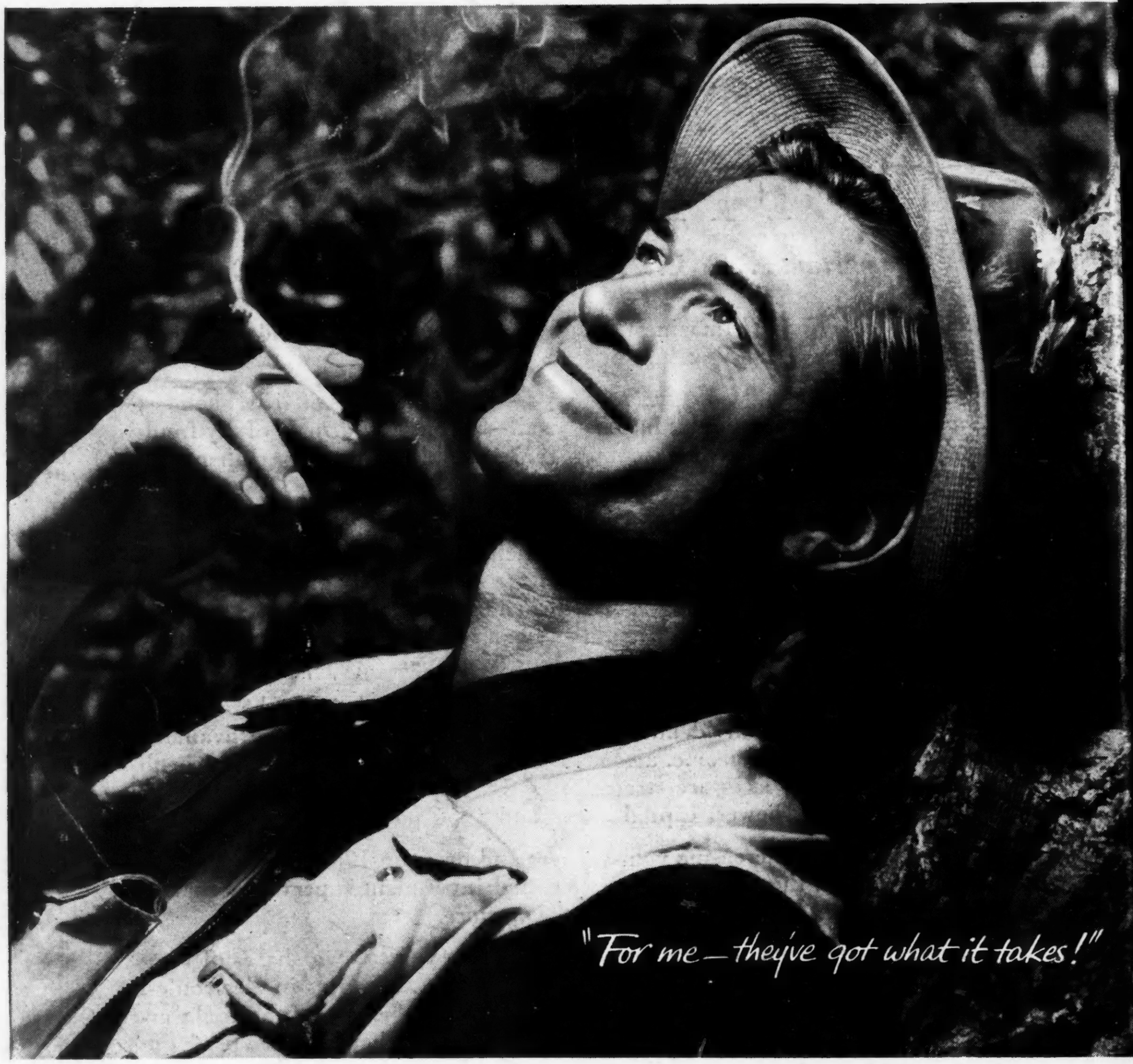

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